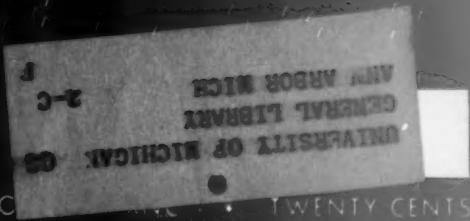


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BUSINESS WEEK



Adviser Paul, Secretary Morgenthau
— two votes for a withholding tax.



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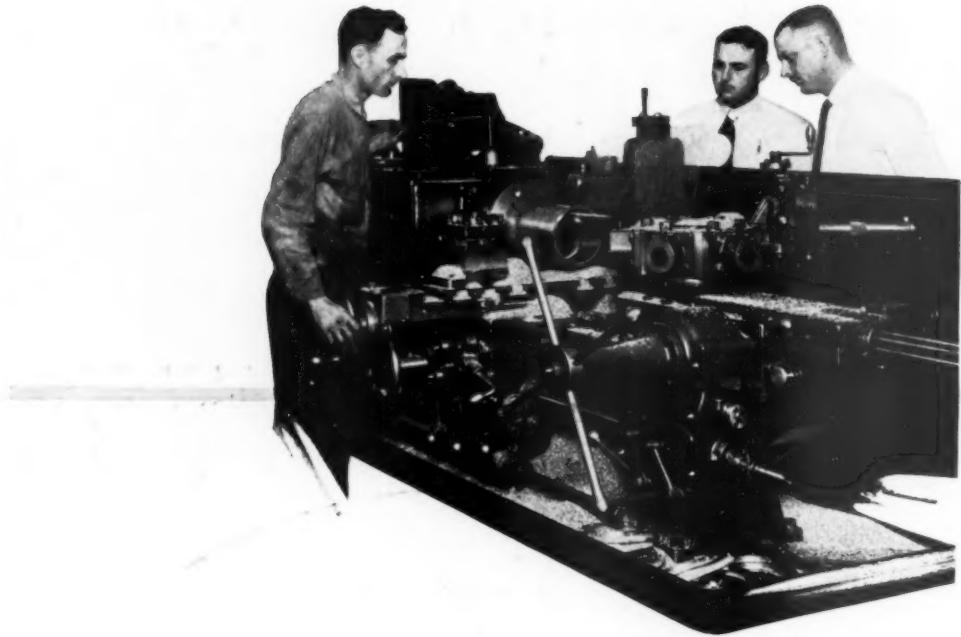
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PUBLISHED BY THE McCRAW-HILL PUBLISHING CO.

TWENTY CENTS



If we can't sell you a machine we can GIVE you an engineer

Production of Warner & Swasey Turret Lathes has been expanded to 5 times normal, every one going into war work—and still you may have to wait. But maybe we can help you get your full production for war *without* those machine tools you have ordered.

The 21 men who used to be Warner & Swasey salesmen are now production engineers—devoting their time to helping any war plant get more production from the machine tools it has. In many cases, by helping rearrange work and equipment, they have made it possible to reach production goals with no new tools—and so release new machines needed more desperately somewhere else.

For years these Warner & Swasey field engineers have worked with production men in every industry. They bring you all this accumulation of experience, whether or not you use our turret lathes. They are at the disposal of any war plant, without the slightest obligation.



YOU CAN TURN IT BETTER, FASTER, FOR LESS . . . WITH A WARNER & SWASEY

WASHINGTON BULLETIN

WHAT THE WASHINGTON NEWS MEANS TO MANAGEMENT

Wage Puzzle Unsolved

With the President under heavy pressure to get somebody actually at work on his wage-stabilization proposals, each of the federal labor-control agencies is busily courting the lightning. The War Production Board's Labor Division, the War Labor Board, the Manpower Commission, the Labor Department are all trying to establish a stabilization record that will make them logical candidates to run the job.

Likely first move for F.D.R. is to establish the existing interdepartmental committee on stabilization as a formal board charged with working out a program and coordinating the work of the labor agencies, OPA, and the armed services. But there's still a chance he'll throw the ball to one agency. And the deliberations of a board, in any case, would involve jockeying for power among the members.

Construction Freeze

Best-looking sample of stabilization work so far presented by any of the job candidates comes from the Labor Department. It's the department's construction wage agreement which freezes the pay of 1,500,000 odd craftsmen at July 1 levels. The freeze may not prove very rigid, but the department can legitimately claim that it has eliminated wage bargaining from the industry, put any increases after July up to a new wage adjustment board.

• **Double Deal?**—The unions like to work with the rather undynamic Labor Department, and the construction scheme has the earmarks of a deal designed to strengthen the department's position. Incidentally, the wage adjustment board that it set up has no employer members—just three from labor and three from federal construction agencies.

Still in the Running

Despite the ambiguous position of WPB's reorganized Labor Division, whose duties no man knows, it's a contender for the stabilization job. It still operates two labor stabilization agreements—shipbuilding and construction, though it was bypassed this week when the Labor Department froze construction wages.

Now it's getting ready to take another crack at an aircraft labor stabilization agreement. This would put it right into the middle of a very touchy situation, since Douglas is talking about a

10¢ increase and Vultee has offered the U.A.W. 7½¢.

• **WLB's Big Idea**—There's a rumor that such "voluntary wage-increase situations" as Douglas and Vultee represent may be handled by having the services issue a warning that contract prices of war materials (planes in this case) will not be allowed to reflect any higher wages. And WLB, which wants the labor stabilization job but has no approach to wage-control except in disputes brought before it, is promoting the suggestion that the President issue a statement telling employers not to increase wages or salaries above some moderate level without board approval. This would be enforced on war contractors by the armed services. McNutt's labor priorities, backed up by the draft, might do the job on civilian industry.

OPA Gets Inquisitive

Officials of corporations which have received OPA's financial questionnaires fear that the figures called for will provide the government for the first time with specific cost and profit information on individual products. The questionnaires are characterized as going far beyond anything SEC or FTC has dared ask for to date. Previous government questionnaires always lumped profit and cost figures into broad general groups or classifications.

Corporation men wonder whether the specific figures will lead to attacks on the practice of averaging margins—big margins on some products to make up for smaller margins on others. They also fear that these figures might fall into the hands of postwar reformers who might use them to campaign against advertising or distribution costs.

Watch Gillette

Flushed by the success of its drive to boost WPB's alky rubber program by using wheat (page 15), Senator Gillette's committee is going to poke into other scarce materials. Starch (BW—May '42, p64) is one.

This decision checks with the committee's original intent—to push utilization of surplus farm products in the war production program.

• **On and On**—Senator Gillette's men are also planning to have a look into copper, sponge iron, and drugs. Like other congressional committees which have once tasted blood, they aim to go on and on. As WPB has discovered, the committee is worth watching.

Bond Plan Ready

The Treasury Department isn't saying anything about it but its experts are ready with a plan for compulsory sale of war bonds when the President gives the word.

The plan calls for a new series of non-transferable bonds that couldn't be used as collateral on loans. They would be redeemable at the government's pleasure, probably not until several years after the war when industry again is able to furnish an ample supply of civilian goods.

Compulsory buying would be on a progressive scale, depending on an individual's income and dependents.

Inventory Bedlam

WPB is trying to quiet down the bedlam unloosed by publication of a preliminary draft of its forthcoming inventory control order. Both Donald Nelson, WPB chief, and James S. Knowlson, director of Industry Operations, have issued statements indicating that the control measure is still some months off, and that trade groups will be consulted in framing the final regulation.

Big retailers (mainly department stores) were up in arms the minute inventory control talk started to fill page after page in the trade press. They said they would be the first to be affected, yet hadn't been in on the Washington doings.

Double Meaning

The much-castigated first draft of the inventory order stipulated, in effect, that inventories of consumer goods from July to December would be held to 65% of net sales during the last half of 1940. Food stocks would be exempt. So would any "distributor or producer whose inventory on Mar. 31, 1942 was less, at current cost, than \$20,000, except distributing units of a chain." Certain allowances were also made for distribution in defense areas.

But the big retailers yelled that all this verbiage was ambiguous. They argued this way: Supposing my inventory is limited to \$100,000. Does that mean I can add to it every time it sinks below the maximum level? Or does that figure of \$100,000 represent the total stock I can sell to my customers? In the latter event, squawked the retailers, the regulation would be nothing more than a devious way to limit sales.

It seems clear in Washington that



Thurman Arnold tells WHAT WILL HAPPEN TO BUSINESS

Will industry go broke after the war, with its giant war factories idle? Do we face mass unemployment, depression and chaos? Is there any future for individual initiative? What kind of purges are in sight?

Without mincing words, Assistant Attorney General Thurman Arnold tells what business must do to fit into the post-war economic era and prosper. Actually this article is his forecast for the future management of business.

Painting an amazing picture of post-war America, Mr. Arnold gives the plain reasons why he thinks all of us will be more prosperous. Whether you agree or disagree with him—no business man, labor union member, or farmer should fail to read Thurman Arnold's startling description of things to come.

IN THIS WEEK'S POST • 10 CENTS

WASHINGTON BULLETIN (Continued)

such a meaning was not intended by WPB. For a drastic reduction in the manufacture and distribution of merchandise—unless accompanied by some broad control over spending power—would certainly smash Administrator Henderson's attempts to stabilize the price structure.

• **Scare Value?**—But while WPB is rewriting the order, its trial balloon may have served to scare manufacturers, wholesalers, and retailers into easing the pressure on labor, production, and transportation.

Destination Unknown

Here's another contribution to what has become the President's favorite collection of anecdotes:

Col. Lawrence Westbrook, lately of the Federal Works Agency, wired his friend, Howard Hunter, retiring WPA commissioner, that he had received orders to proceed to Shangri-La and would see him at New Orleans en route. Western Union phoned the colonel to ask him was he sure it was Shangri, La. It wasn't in the Postal Guide.

Passing the Buck

Before it could push through the busy Government Printing Office the first of its much-discussed "quote sheets" reproducing outstanding war advertisements, the Office of Facts and Figures changed its mind. New plan is for the Advertising Council to set up an award jury to pick best copy in each medium on a monthly basis. Then winning ads will be circulated as official prize-winners.

The idea is that agencies will vie for honors, thus leading to more war copy conforming to OFF's propaganda pattern.

Small Business Break

To the extent that Donald Nelson's heart bleeds for the small business man more profusely than for the Army, Navy, and RFC, the Smaller War Plants bill now emerging from Congress will be a real break for the little manufacturer. Whole effect of the measure is to transfer to WPB the contract-letting and financing functions of these agencies, so far as they affect small business. The new Smaller War Plants Corp., set up in WPB, will make loans and build and lease plants just like Jones' RFC. It will take contracts from the Army and Navy and sublet them to small manufacturers; that was clinched by the Patman amendment, which compels award of contracts to SWPC whenever Nelson so directs.

• **Concentration of Industry**—As an additional boost for the little fellows, the bill tells WPB that, whenever it curtails the output of a civilian industry, what's left must be concentrated in the small firms.

Advertising Relief

Suppose a national advertiser has a promotion fund of \$100,000, half of which he spends in advertising allow-

ances to retailers and half of which he invests in newspaper and magazine space and in radio time. Must he, under the terms of the General Maximum Price Regulation, go on giving that \$50,000 to the trade whether he wants to or not?

That's been the crying question in advertising circles ever since the Office of Price Administration, in its price-freezing order, ruled that a manufacturer must not "change his customary

General in the War of Movement

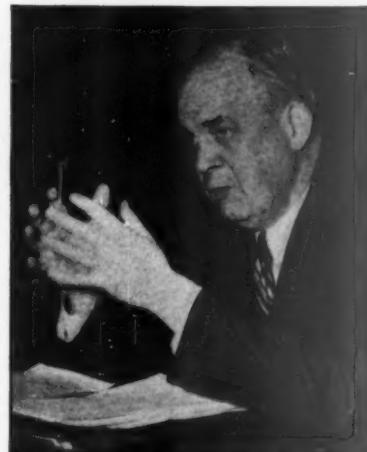
This story was bound to show up sooner or later.

Joseph B. Eastman, war transportation boss, went to Washington airport to fly to Chicago. He was politely brushed off because he'd forgotten to get a travel priority certificate. Timidly but hopefully Eastman revealed his identity. No sale. Digging in his pockets he found his credentials for a trip to Chicago the week before. They were signed by Joseph White, his executive assistant in ODT. He flew.

But it was politics that really sent the director of ODT, Donald Nelson of WPB, and Leon Henderson of OPA up in the air this week. Their intention to make gas rationing nationwide raised a howl in the great Midwest that sent even the President rushing for cover.

• **F.D.R. Is Helpful**—After months of pounding home to the public that there would be no more tires for civilians for the duration, the war economy bosses were set back on their heels by Roosevelt's statement at his Tuesday press conference that he is hopeful that some kind of synthetic tires will be available before present tires wear out and that he didn't see any reason for over-excitement about the matter.

The President's soothing syrup sent flabbergasted officials into huddles and impromptu press conferences in a desperate attempt to repair the damage. There's little chance now that gas rationing will be extended beyond the Atlantic seaboard by July 1. It's certain that extraordinary means will be taken to boost the supply of gasoline and fuel oil to the eastern states. Even the big pipe line from Texas to New York and Philadelphia isn't out of the window now. Should the President go for this, it would be a blow to WPB's prestige—but attributing the decision to military reasons might



Joseph B. Eastman

save the faces of conscientious objectors. As for seizing tires and/or automobiles, that's extremely unlikely, except in the case of hoarded extra tires and then only if the hoarders don't respond to the government's offer to buy (BW-May 16 '42, p15).

• **Standing Firm**—Meanwhile, Eastman's plans to gear the country's freight transportation facilities to the war load are pushing ahead steadily. Neither public, contract, nor private truck owners have been given any hope of modifications in ODT's drastic conservation orders No. 3, 4, 5 and 6 (BW-May 16 '42, p15), effective June 1.

Priorities on both rail and truck cargoes are certain by fall, when transportation will be the spotlighted bottleneck. A transportation committee was set up by WPB this week to estimate anticipated requirements and to make recommendations to ODT on preferential movement of traffic. As a guide to passenger travel priorities, ODT is using WPA interviewers to make a spot check on the missions of intercity bus and rail travelers in 100 cities in 38 states.

WASHINGTON BULLETIN (Continued)

design



Willson designed Respirators provide dependable protection, plus maximum comfort to the wearer. This comfort feature increases efficiency without sacrificing protection.



There is a Wilson designed Respirator and Goggle for every conceivable industrial hazard. Consult your local Wilson Safety Service Representative or write direct.

GOGGLES • RESPIRATORS • GAS MASKS • HELMETS
WILSON
DOUBLE
PRODUCTS INCORPORATED
READING, PA. U.S.A.

allowances, discounts, or other price differentials, unless such change results in a lower price."

• **Media Concerned**—Not the least concerned about the answer have been the various consumer advertising media. They have been having a tough enough time trying to persuade advertisers not to cut appropriations, and if allowance funds are frozen, the balance of an advertiser's promotion fund, that which is spent in space and time, is under all the more severe pressure.

This week, at the behest of many advertising interests, including the Association of National Advertisers, OPA was ready to provide relief by ruling that "bona fide" advertising allowances were exempt from the freezing order.

• **Prediction**—By "bona fide" allowances OPA means essentially those which are embodied in separate service contracts, definitely not those which simply represent something knocked off the gross price. Since this whole field is a jungle of special deals and arrangements, almost impossible to police, it's a safe bet that under the prodding of media salesmen, a good many deals will become "bona fide" overnight.

Black and Blue

Is the Civil Service Commission's face red! To simplify things a bit, it recently adopted a new application form. Applicants had to fill in only one copy but were instructed to typewrite or print in black ink, so that any desired number of photostat copies could be made from the original. Great stuff, except that the form itself was printed in blue ink, so it's back to triplicate, quadruplicate or quaddamn for the applicants.

Hard On Houses

WPB's 60-day lumber freeze was the last straw on a war housing program already staggered by lack of materials and failure to obtain priority ratings.

When it became evident that unfrozen retail lumber stocks were inadequate to keep housing jobs going, WPB agreed to issue special authorization for lumber deliveries to projects it thought essential. But this is small comfort to the National Housing Agency, which feels an unfriendly atmosphere at WPB. No priority ratings have been granted on public housing since last March.

• **Simpler and Simpler**—Applications are pending on about 90,000 houses, some of them already under contract. The Requirements Committee is still making up its mind whether to approve any of them. Regardless of its decision, there's

DRAFT REDRAFTED

Women who have quit jobs or refrained from getting jobs in order to keep their husbands out of the draft will be brought back into the labor market by the pending measure granting allotments to dependents of soldiers and sailors.

It's not generally realized that the final form of the bill changes the official conception of dependency—converts it from a financial to a sentimental relationship. At present the only persons dependent on a draft registrant are those who need his financial support. The allotments make such persons financially independent of the registrant except to the extent that they require, for "reasonable subsistence," more than the statutory allotment (\$50 for a wife).

• **Still Dependents**—However, under the terms of the bill wives and children are recognized as dependents, regardless of the financial situation, if they occupy a bona fide family relationship to the registrant. Thus, a self-supporting wife would be a dependent. (This would not apply to families acquired after Dec. 8.)

Upon passage of the allotment bill, therefore, many men now classified 3-A because of dependent parents or relatives will be liable to immediate reclassification as 1-A. Men with pre-Pearl Harbor wives who are now 3-A will retain that status, whether or not their wives work. Men with working wives now classified 1-A will not be affected at once, but it is probable that Selective Service will provide for their reclassification.

• **Tentative Timetable**—Best present indications are that all men now 1-A will be called by fall; all single men of military age who do not have essential jobs will be called by the early months of 1943; all men of military age without essential jobs will be in the Army before 1943 is over. When local boards start calling married men, they will all start at once on instructions from headquarters.

no question that future housing will have to be on an even more simplified basis than it is at the present time.

—Business Week's
Washington Bureau

FIGURES OF THE WEEK

	\$ Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
THE INDEX (see chart below)	*178.7	†178.5	178.5	162.4	155.0
PRODUCTION					
Steel Ingot Operations (% of capacity)	99.6	99.2	98.9	95.9	98.6
Automobile Production	21,600	21,800	21,900	76,820	133,560
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands)	\$43,524	\$44,317	\$32,982	\$15,855	\$12,606
Electric Power Output (million kilowatt-hours)	3,380	3,357	3,273	3,248	3,040
Crude Oil (daily average, 1,000 bbls)	3,599	3,484	3,581	4,337	3,773
Bituminous Coal (daily average, 1,000 tons)	1,913	†1,903	1,919	1,968	1,656
TRADE					
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	79	79	85	91	88
All Other Carloadings (daily average, 1,000 cars)	61	61	56	56	55
Check Payments (outside N. Y. City, millions)	**	**	\$6,285	\$7,141	\$5,740
Money in Circulation (Wednesday series, millions)	\$11,888	\$11,861	\$11,642	\$10,535	\$9,186
Department Store Sales (change from same week of preceding year)	+5%	+6%	+15%	+14%	+12%
Business Failures (Dun & Bradstreet, number)	230	215	233	188	270
PRICES (Average for the week)					
Spot Commodity Index (Moody's, Dec. 31, 1931 = 100)	231.7	232.3	231.3	208.7	195.9
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	153.0	153.4	152.6	146.5	139.1
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	185.5	185.7	184.8	159.9	142.9
:Finished Steel Composite (Steel, ton)	\$56.73	\$56.73	\$56.73	\$56.73	\$56.73
:Scrap Steel Composite (Iron Age, ton)	\$19.17	\$19.17	\$19.17	\$19.17	\$19.17
:Copper (electrolytic, Connecticut Valley, lb.)	12,000¢	12,000¢	12,000¢	12,000¢	12,042¢
:Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.13	†\$1.16	\$1.13	\$1.14	\$0.93
:Sugar (raw, delivered New York, lb.)	3.74¢	3.74¢	3.74¢	3.50¢	3.35¢
:Cotton (middling, ten designated markets, lb.)	19.76¢	20.08¢	20.05¢	16.38¢	12.95¢
:Wool Tops (New York, lb.)	\$1.225	\$1.254	\$1.263	\$1.286	\$1.316
:Rubber (ribbed smoked sheets, New York, lb.)	22.50¢	22.50¢	22.50¢	22.50¢	22.90¢
FINANCE					
90 Stocks, Price Index (Standard & Poor's Corp.)	63.8	62.7	60.0	74.3	74.7
Medium Grade Corporate Bond Yield (30 Bas issues, Moody's)	4.29%	4.27%	4.27%	4.29%	4.33%
U. S. Bond Yield (average of all taxable issues due or callable after twelve years)	2.34%	2.36%	2.35%	2.23%	#
U. S. Treasury 3-to-5 year Note Yield (taxable)	1.04%	1.04%	1.00%	0.93%	0.72%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate)	1%	1%	1%	1%	1-1/8%
BANKING (Millions of dollars)					
Demand Deposits Adjusted, reporting member banks	25,396	25,241	25,145	24,192	24,265
Total Loans and Investments, reporting member banks	31,888	31,222	31,393	29,656	27,798
Commercial and Agricultural Loans, reporting member banks	6,613	6,669	6,874	6,632	5,639
Securities Loans, reporting member banks	917	828	833	955	902
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks	17,210	16,576	16,435	14,696	13,991
Other Securities Held, reporting member banks	3,666	3,645	3,716	3,675	3,761
Excess Reserves, all member banks (Wednesday series)	2,570	2,930	2,752	3,692	5,855
Total Federal Reserve Credit Outstanding (Wednesday series)	2,578	2,612	2,400	2,307	2,237

* Preliminary, week ended May 23rd.

† Revised.

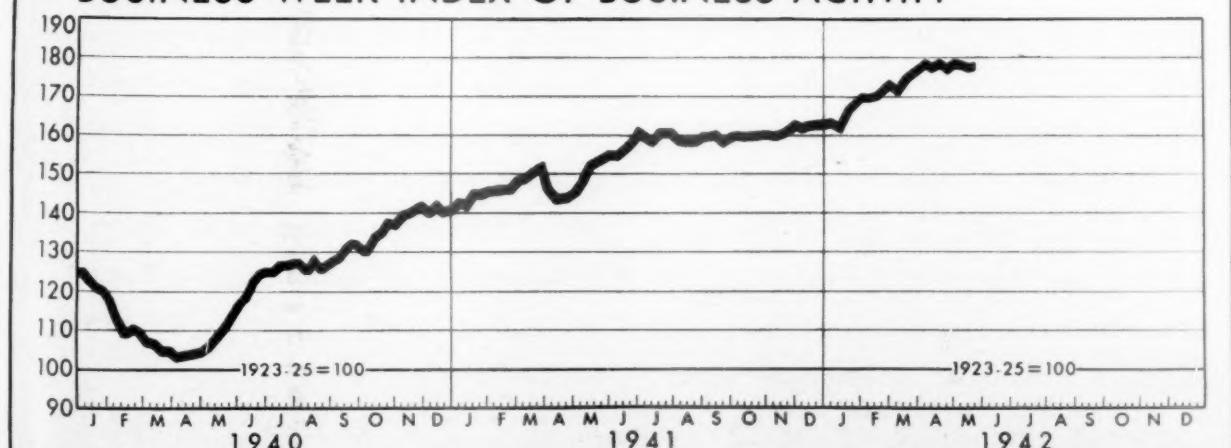
§ Date for "Latest Week" on each series on request.

** Weekly figures no longer released.

Not available.

‡ Ceiling fixed by government.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY





AN INDUSTRIAL ALLY

American industry is producing now as it has never produced before, making the armaments, fighting machines and war supplies essential to victory. There is a vital new force today which is being felt in every phase of this production—a force which was just a feeble spark a few decades ago—the Plastics Industry.

The General Electric Plastics Department is justifiably proud of the part which it has played in the development of this industry, for at General Electric it has been a planned development based

on experience, sound engineering, and the most complete facilities for the manufacture of all types of finished molded and laminated plastics.

Producing parts to customers' specifications, G-E's Plastics Department has solved many problems and has contributed to the growth of many new and better products, working hand in hand with American Industry in its effort to ensure America's future. Plastics Department, One Plastics Avenue, Pittsfield, Massachusetts.

PLASTICS
GENERAL  DEPARTMENT
ELECTRIC

THE OUTLOOK

Production's New Pattern

First manufacture of goods for civilian use had to give way, but now it's "indirect defense" that has to step aside. New ship goal stresses transport problems of global war.

Arrival in London of a top-ranking American military mission (page 24); the new crescendo of battle around Kharkov; significant Japanese advances in Chekiang province, and the march of Mexico toward formal entry into the conflict (page 32), drove home again this week the global character of the War of Survival. The United States is winning its battle of production (The Trend, page 72), but the ever-present problem is to get the guns to the men on the far-flung fighting fronts.

Ship Pinch on Steel

Special significance, therefore, attaches to Admiral Vickery's statement on National Maritime Day that 20,000,-000 deadweight tons of merchant ships could be built next year, provided that adequate steel could be supplied. Consider how that 1943 program has more than tripled—from 6,000,000 tons before Pearl Harbor, to 10,000,000 tons in the President's January speech outlining arms goals, to 15,000,000 tons just a few weeks ago, and now tentatively to 20,-000,000 tons!

If the country can achieve this unprecedented goal, merchant shipbuilding alone will consume some 12% of the nation's entire steel output. More, it would preempt 25% of our capacity to produce structural shapes and 35% of the steel plate potential. And there will be other huge demands for shapes and plates—for tanks, naval vessels, lend-lease, and construction.

Extending the Controls

This pinch on steel and other metals is behind the War Production Board's pending move to tighten controls over supplies by extending the allocations system. Beyond that, it implies a new production pattern. We have gone through the stage of constricting civilian activity to foster arms output. We must now curtail "indirect" war production in favor of direct war implements (BW—Apr. 18 '42, p14). Freight-car building has already been cut, other railroad steel use may be reduced, and we may have to re-trench on some machinery lines later on.

Building construction, for example, is already limited largely to the building of new arms plants, defense homes, military installations, and the like. But, even so, this year's \$14,000,000,000 construc-

tion volume may have to be cut back in 1943 towards the \$8,500,000,000 total activity of 1940—though this seems less serious when it is recalled that 1940 marked a post-1929 high. Substitutions of concrete and wood for steel will be a bolstering factor, and suggested "duration dormitories" may help solve the war housing problem.

Retail Inventories Eyed

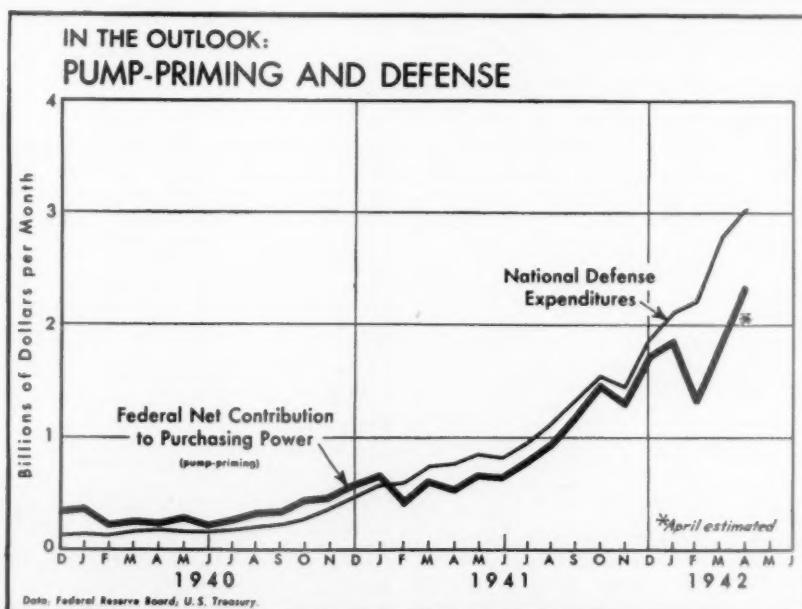
Although institution of price ceilings has passed without undue incident, consumer-good manufacturers, wholesalers, and retailers are in a dither again. This time it's over preliminary drafts of a WPB order to control inventories which would prevent distributors from placing orders if their aggregate inventories were

above levels fixed by WPB formula. But the controls contemplated so far would not cover foods, and small stores would be exempt. And, since production of autos, appliances, and other "hard goods" is already limited, the effect would be felt chiefly by the general merchandise and apparel fields.

Inventory accumulation of apparel, dry goods, household furnishings, etc., has been accelerating spurred by the decline in civilian wool, leather, metal and other supplies. Department store stocks make the point:

<i>Month</i>	<i>Adjusted Index</i>
July-Dec., 1940, avge.	70
March, 1941	74
June, 1941	77
September, 1941	92
December, 1941	92
March, 1942	107

The inventory plan is still in a preliminary stage, and Nelson has said that its application is "some months away." But WPB is anxious to ease the pressure of civilian orders on manufacturers. It would rather see them in war work, if



National defense expenditures have doubled since Pearl Harbor, and by the end of the year will double again—to \$6,000,000,000 monthly. That's what's boosting the "net contribution to buying power"—defined roughly as the excess of Treasury outlays over receipts. And there you have the kernel of inflation. For not only does war spending expand wages, salaries, farm income, service fees, etc., but

arms output cuts into civilian supply. This federal pump-priming has sagged, relatively, in the last few months, as it did early in 1940 and 1941. That's because income taxes are collected around March. Now, "net contributions" will soar again. That's why the Treasury is pressing for a withholding tax—to siphon off buying power from current income immediately, instead of waiting again until next March.

possible. In any case, the move is a signal of declining volume—as well as declining profit margins—to still another group of distributors. Hard-goods dealers are already on the spot, and filling stations soon will be if gasoline rationing is nationalized.

Meanwhile, Washington is giving a new earnest of its intentions to moderate wage increases, talking about administrative machinery to deal with the 90% of all wage negotiations that are outside the National War Labor Board's purview. But profits are bound to be pinched, nonetheless. Many raises must still be granted, and, as labor shortages intensify in coming months, boosts in numerous lowpaid lines will be irresistible.

Hints of freight rationing to come are in the wind this week. WPB has created a new committee to recommend preferential treatment for various types of traffic, when transportation facilities prove inadequate. And the Office of Defense Transportation has announced institution of a nationwide check on carload freight billed at each station. The data will be of help, among other things, "in certifying priorities, if necessary."

"Tentative" Taxes

House committee levies encounter opposition but still meet only half the bill. Sales tax threatens increasingly.

As matters stand, few in authority appear satisfied with the tax bill in its present tentative draft—and "tentative" should be emphasized. In efforts to raise \$8,700,000,000 of revenue, the Ways and Means Committee has run into multiple difficulties, and in some of the "tentative" decisions reached it has encountered stiff constituent complaint.

Hence the common prediction, shared by members of the committee, that when the overall tax picture has been studied thoroughly, drastic revision will come.

• **Halfway**—Thus far, the new provisions "tentatively" approved by the committee would achieve not much more than half the Administration's revenue goal through the following devices:

From corporations, through a 94% excess-profits tax and with increases in both the normal and surtax rates—\$2,400,000,000.

From individuals, through lowering exemptions for married persons to \$1,200, single persons to \$500, and by increasing the normal rate from 4% to 6% and surtaxes from 6% to 77% to a schedule of 12% to 81%—\$2,750,000,000.

From mandatory joint tax returns by married persons, \$300,000,000.

From revision of the capital gains tax (page 68), \$50,000,000.

In addition, there is the estate and gift tax which is expected to yield about \$300,000,000 when approved.

• **"Head" Tax Idea**—Concerned at the turn things are taking, Secretary Morgenthau proposed the "head" tax on individual income tax-filers of \$5; talked of enforcing collection by a withholding tax of as much as 10%; and intimated that, while his own proposal for lowering individual exemptions had been granted "tentatively" by the committee, he remained still opposed to any sales tax, as do most New Dealers.

The committee, theoretically, still has to find ways of raising about \$3,000,000,000 more. Through plugging the loopholes and making a few technical changes in the law affecting mutual insurance companies, a few hundred millions might be raised. But this would be the "hard way," a way spurned by politicians, and it still would leave unsolved the answer as to where the rest could be found.

• **Face to Face with Sales Tax**—The committee thoroughly realizes that the next hard hurdle will be to decide either on a sales tax of steep rates or on even steeper rates on a broad schedule of excise taxes that include most items of domestic consumption. Few committeemen believe that the sum can be raised in the latter manner. But many of them are reluctant to recommend a sales tax, although they say privately

this is about the only thing the federal government can do to get what it needs. It is a step which would be taken at the expense of many states that have objected strenuously to an "invasion" of their tax field.

As for the political aspects of the dilemma, members of the committee already have been catching the devil because of the lowering of income tax exemptions. As a consequence, they may change their mind. Labor, all factions, has opposed dipping into the incomes of the "small" income group, and sees in the sales tax an even more onerous load. The labor leaders know that a sales levy cannot be evaded, whereas many of the hundreds of thousands of so-called "migrant" war workers would not file an income tax return because the government would never be able to catch up with them, even though their incomes were dutifully reported by their employers.

Members don't like the unduly large quantities of mail they are getting, chiefly from those who are already paying an income tax and would be hardest hit by the lowering of exemptions.

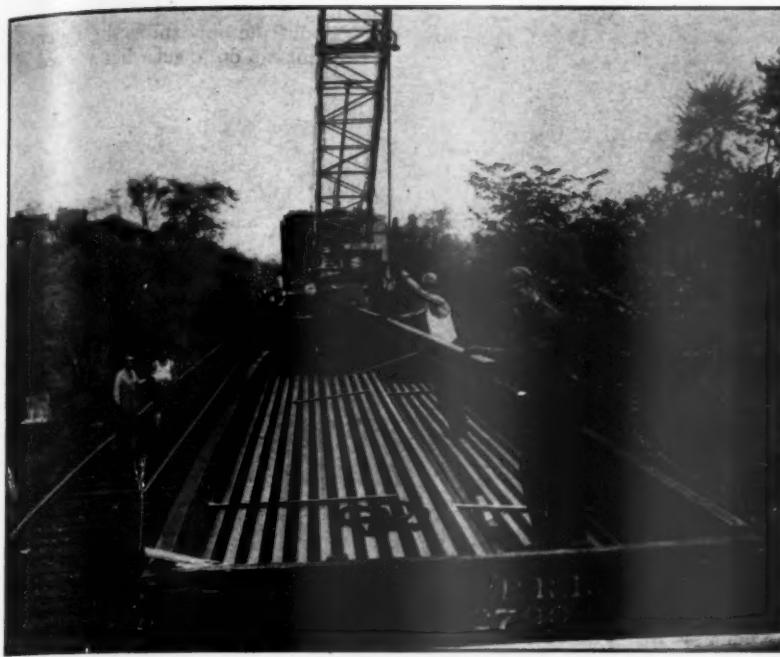
• **For the \$5,000-\$25,000 Man**—Although the committee at mid-week had reached no decision on the withholding tax, it is being importuned to enact one so that the taxpayer—particularly the man in the \$5,000 to \$25,000 group—will have a credit next March 15 against the increased tax he knows he will have to shoulder.



GUARDED HEMP SEED

For the last few months, the nation's entire supply of hemp seed has been guarded in a Kentucky warehouse almost as closely as the nation's gold reserves at nearby Ft. Knox. One reason

for the armed guards is that hemp seed is the source of a narcotic; more important, it will produce in 1942 enough seed for 350,000 acres next year, thus relieving the shortage of hemp formerly imported from the Philippine Islands.



END OF LINE

When our steel-hungry government found 70 miles of rails lying idle—property of the defunct New York, Westchester & Boston Ry.—it offered

\$423,000 for all the metal along the right-of-way, and a deal was made. Towers and bridges—a part of the railroad's 15,000 tons of steel—will be scrapped but the rails will be relaid at New Jersey war production plants.

Synthetic Rubber Hits a Million

That's the new quota which RFC has set, increasing previous program by 200,000 tons to be made from grain alcohol. New oil-cracking process may expand output.

Thursday, May 21, was a big day for synthetic rubber.

On that day, the official production program, financed by RFC, was expanded to a cool 1,000,000 tons. When war broke out, the goal was set at 65,000 tons, compared with an actual production of 12,000 tons last year; early in January it was jumped to 400,000 tons, then two months ago to 700,000, and less than a month ago to 800,000.

On the same day, America learned that, in addition to the capacity which is now abuilding, an additional production of 400,000 tons of Buna S rubber and 240,000 tons of Butyl could be obtained by the use of a new cracking process, developed by New Jersey Standard Oil, in the production of 100-octane aviation gasoline, without any sacrifice in the amount of the gas secured from a given amount of oil and with a definite improvement in its quality (page 16).

• **Farm Bloc Scores Again**—Jesse Jones' announcement of the 200,000-ton boost in the RFC program represents a considerable victory for the farm bloc be-

cause the butadiene from which the additional synthetic rubber will be processed will come not from petroleum like the 800,000 tons but from alcohol distilled from grain. This is the second time that Congressional farmers, smartly capitalizing both sugar and rubber shortages, have scored on the War Production Board. Last January, when the country was exercised over the impending sugar shortage, Congressional pressure forced WPB to shift from a predominantly molasses alcohol program to a predominantly grain alcohol program embracing distillers as well as regular industrial producers, in order to save sugar (BW-Mar. 7 '42, p18). Now, with the country exercised about rubber, the farm state Congressmen have forced a tremendous expansion in the grain alcohol program—to make rubber.

• **Gillette, Wickard, and Szuckiewicz**—For months, Senator Guy M. Gillette of Iowa, as chairman of a special subcommittee of the Senate Agriculture Committee, has been building up a case for alcohol rubber and against petroleum

rubber—and against the oil-chemical-alcohol industry "combine" which he accused of fostering the oil-based product. With the aid of Secretary of Agriculture Wickard and Waclaw Szuckiewicz, the mysterious Pole whose story features escape from the Nazis and flight to Italy, Brazil, Washington, and Peoria, U. S. A., as well as a kidnapping or so, Senator Gillette got abundant proof on the record that butadiene could be made from alcohol, produced in turn from grain, potatoes, and other farm products.

The Agriculture Department had succeeded in doing it at its Peoria laboratories, reported Secretary Wickard, who urged a vast grain alcohol-butadiene program to use up some of our tremendous wheat surplus. How much Mr. Szuckiewicz helped in the development of alcohol butadiene is anybody's guess, for he remained hidden away in Peoria, "safe from the machinations of the oil trust" and unavailable for testimony before the Gillette committee.

• **The Case for Grain Alcohol**—With the help of the Pabst Commercial Alcohol Corp., which has also been in contact with the elusive Pole, Gillette developed the dramatic claim that alcohol butadiene plants could be built in one-third to two-thirds the time required for petroleum butadiene plants and with a tenth the critical materials. Then he dug out of RFC the information that the entire \$650,000,000 allotted for the synthetic rubber program was going to the oil industry and its "satellites," and that all the butadiene was to be made from oil. Even the fraction to be made from alcohol was to come from alcohol synthesized from petroleum by Union Carbide and Standard Oil. Gillette also tried to prove, with little success, that alcohol rubber will be cheaper than petroleum rubber. Most experts agree that alcohol butadiene will be at least twice as expensive as petroleum butadiene.

• **165,000,000 Bu.**—Chiefly responsible for the surprise "discovery" that the country has facilities for producing 500,000,000 gal. alcohol per year—half a dozen times normal demand—is M. J. MacNamara, WPB's new grain alcohol chief and ex-vice-president of National Distillers. He came to the aid of the Gillette committee with the welcome news that 230,000,000 gal. could be fermented from grain and distilled by the whiskey industry, 220,000,000 from grain or molasses by the industrial alcohol industry, 50,000,000 synthesized from petroleum by the oil-chemical industry—enough in short to take care of military explosives and other essential requirements, with 200,000,000 gal. left over to make the 200,000 tons of butadiene for synthetic rubber. An alcohol program of such dimensions would mean production of at least 400,000,000 gal. from grain, eliminating the mo-

lasses- and petroleum-based alcohol, and would consume 165,000,000 bu. of grain.

Tuesday of last week, Senator Gillette took the Senate floor to blast WPB and particularly Fraser M. Moffat, Jr., ex-vice-president of U. S. Industrial Alcohol Co., accused by the farm bloc of being the molasses alcohol man chiefly responsible for obstructing the grain alcohol program. Two days later Jesse Jones revealed the new alcohol-rubber plan.

• **No Substitute, No Surplus**—This week, following all the newspaper furor over grain alcohol, rubber technicians found it expedient to point out that the use of no inferior substitute was contemplated, that synthetic rubbers of the Buna type are exactly the same whether their basic butadiene comes from petroleum or natural gas or alcohol.

And rubber conservation authorities

in Washington found it expedient to point out that 1,000,000 tons will leave none for civilian tires after military and lend-lease requirements have been filled, that it will take at least 18 months to put the whole synthetic program into operation. Meanwhile, they suggest a quick stepup of the natural-rubber salvage campaign. The reclaimed rubber industry is currently getting its hands on only 50% of the old tires, tennis shoes, what-have-you necessary to utilize its full capacity of 350,000 tons per year.

DRIVE IT YOURSELF

The traveler who occasionally buys an extra ticket, loads his automobile for expedited freight handling, and drives away at destination can't do that any more. Railroads operating west from Chicago, at least, are formally discontinuing the service on June 1.

2-IN-1-GAS AND RUBBER

Only slightly less urgent than the need for synthetic rubber is the need for 100-octane aviation gasoline; 33 new fluid catalyst plants are being built for its production. That's why Standard Oil of New Jersey's new cracking process, announced by President W. S. Farish last week, classified definitely as a two-birds-with-one-stone proposition, for it will not only improve the quality of the gasoline but can also yield 400,000 tons of Buna S and 240,000 tons of Butyl rubber a year, according to Farish. Furthermore use of the new technique will involve practically no structural changes in the new plants being built and no increase in construction materials.

Pressures to be used remain the same; temperatures go no higher than originally contemplated, but "are rather reassorted" to change the sequence of temperatures at various stages in the cracking operation.

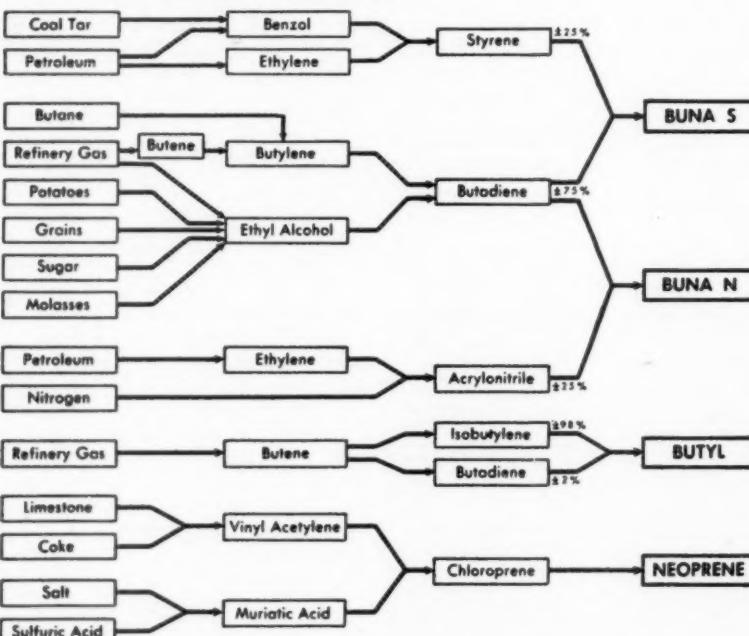
Standard is supplying full details of the new operating method to all builders and operators of the new plants.

Actually, the new technique permits either the extraction of greater quantities of butene from a given amount of petroleum with no reduction in the output of 100-octane gasoline, or the extraction of 15% more 100-octane with the present output of butene.

Thus the War Production Board is presented with a variety of choices for application of the new process: (1) WPB can raise its sights on synthetic rubber production to 1,640,000 tons with no increase in plant and equipment for butene production but with considerable increase in equipment for dehydrogenation, polymerization, etc. (2) It can reduce the amount of plant and equipment for 1,000,000 tons of production (now said to include 700,000 tons of Buna made from petroleum butene or natural gas butane, 200,000 tons Buna from alcohol, 60,000 tons Butyl rubber, and 40,000 of Neoprene). (3) It can lift and improve the proposed fluid catalyst production of 100-octane by 15% without increasing the present synthetic rubber program.

The improvement in the gasoline comes not in raising its octane, or antiknock, number, but in ridding it of certain impurities, giving it more power and improved pickup qualities.

ABC of Synthetic Rubber



Data: Standard Oil Development Co.
± Plus or minus, indicating approximate proportions.

© BUSINESS WEEK

Synthetic rubbers of the Buna type fall into two broad classifications: Buna S for abrasion resistance as in tires; Buna N (or Perbunan) for oil resistance as in gasoline hose, military tank bushings, airplane fittings, etc. Both have literally hundreds of modified formulas for specific purposes, but the principal ingredient of both is ±75% butadiene polymerized with ±25% styrene for Buna S, with ±25% acrylonitrile for Buna N (Ameripol, Chemigum, and Hycar are

all butadiene rubbers, come in both Buna types. Koroseal and Vinylite are vinyl chloride derivatives. Thiokol is produced by the reaction of ethylene dichloride with sodium polysulphide.) Butyl is cheaper but probably of less universal application than the Bunas, is derived wholly from petroleum, can be made with alcohol butadiene, but probably never will be. Finally, Neoprene, not a petroleum product, is a synthesis of limestone, coke, salt, and sulphuric acid.

A Pal for Purp

Allocation Classification Plan joins Production Requirements Plan, and WPB feels it has the answer on materials.

The War Production Board is getting ready to take a second important step toward full allocation control of the flow of materials into finished goods.

This spring WPB more or less stumbled onto the formula for allocation—a thing for which it had been groping for months—when it developed the Production Requirements Plan. Originally intended as a special tool to meet a few marginal problems, PRP has now been formally adopted as the mechanism for distributing goods to manufacturers. By July 1, nearly all industry will be operating under it.

• **Best Features of Each**—PRP works from the manufacturing end. A PRP rating granted to a manufacturer gives him a priority rating on definite quantities of the materials he needs for the coming quarter.

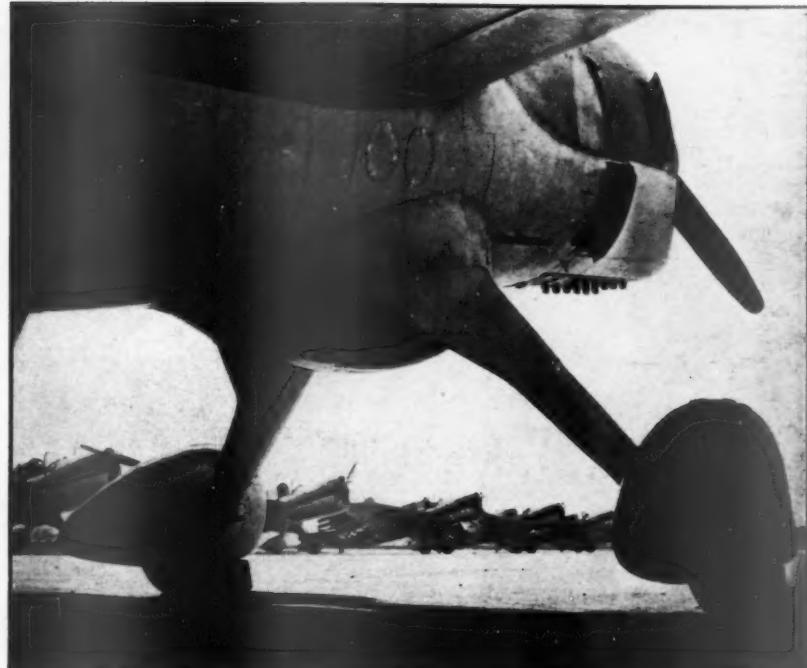
WPB is now moving to tie PRP to the long-existing systems of raw material allocation and with the comparatively new procedure by which Donald Nelson's Requirements Committee allocates portions of the raw-material resources of the country to particular broad programs—tanks, housing, and the like.

• **Identifying Products**—“Allocation classification,” the new scheme, starts by breaking up the end uses of raw materials into 23 numbered classes—power, 9; clothing, 15; industrial machinery, 20, etc. These classes are subdivided decimaly.

When a producer of finished goods places an order for materials, parts, supplies, etc., he will attach to the order the code symbol for the goods he manufactures—or several code symbols, with percentages indicated, if he happens to make several classifications. The code is not a priority; it is simply an identification.

Secondary suppliers similarly identify the orders they place according to the codes on orders they receive. Finally, when the orders reach the primary raw-material producers, they bear code numbers indicating the end products into which the raw materials will eventually flow. These orders are turned over to WPB for allocation.

• **Should Come Out Even**—If, then, the Requirements Committee has determined that a given portion of, say, tin, shall be used for food processing, WPB's Tin Branch need only put in one pile all the orders coded “14,” and divvy up the allotment. If the PRP people have done their job perfectly at the final pro-



SEAGULL'S DEBUT

Naval secrecy has been responsible for the hush-hush concerning what is said to be the world's fastest battleship and cruiser-based airplane—the new Curtiss Seagull. Officially designated as

the SO3C-1, these scout-observation planes are now rolling off the assembly lines at the new Columbus (Ohio) plant of Curtiss-Wright Corp. The Seagull is equipped to operate with either wheels or floats and to be launched by catapult.

duction end, the “14” orders for tin will just equal the Requirements Committee allotment. If, on the other hand, the two don't match, the Tin Branch can be guided by the priority ratings which were originally attached to the PD-25-A ratings granted under PRP and which have been riding along with the orders.

The scheme is to be introduced gradually, will be applied one material at a time. It is expected that instructions will go out within a few days to start coding orders for one metal—probably copper.

• **How They Are Classed**—The classifications tentatively adopted, and their code numbers are: aircraft, 1; ships, 2; vehicles, 3; armament and weapons, 4; ammunition, 5; war equipment and supplies, 6; war facilities, 7; raw materials, 8; power, light, and heat, 9; transportation, 10; communication, 11; public health and safety, 12; agricultural equipment and supplies, 13; industrial food processing, 14; wearing apparel, 15; equipment and supplies for household use, 16; education and information, 17; recreation and amusement, 18; equipment and supplies for office use, 19; machinery and equipment for industrial use, 20; new buildings, 21; operating supplies and building repair and maintenance, 22; all other end uses, 23.

Workers' Gasoline

Detroit fears breakdown in transportation if rationing forces onto buses and streetcars the 65% who now drive.

Hottest subject in Detroit, as well as throughout the industrial Midwest, is the hanging threat of gasoline rationing by July 1. Admittedly, rationing won't be for lack of fuel; it's a question of conserving rubber.

• **Industry's Problem**—Michigan authorities, state and local, agree on the necessity of tire conservation but are preparing strong arguments for a rationing plan that will accomplish the desired end without causing a collapse in public transportation, the crippling of war industries, and perhaps utter ruin of the state's second largest industry—the \$300,000,000 annual tourist business.

Gas rationing, naturally enough, would hit Detroit hardest of all Michigan cities, but war workers in Flint, Saginaw, Pontiac and many smaller communities drive comparatively long distances from homes to places of employment. Public transportation, currently overloaded, has never been geared

to handling more than a minor fraction of traffic.

• **Figures Tell Story**—Detroit in particular is a drive-to-work city. Only 150,000 out of 450,000 factory workers currently use buses and street cars, but the load already is dangerously near capacity. Of 600,000 persons moving into the downtown area each day, only 250,000 ride Detroit Street Railway equipment. As compared to New York City where each passenger uses the public transportation system 416 times per year, the Detroiter rides only 163 times annually on bus or street car.

• **Growth of Problem**—Detroit has only 1,896 buses and some 770 street cars in service. Re-employment in war industries took a sharp rise in March and April with the result that the number of passenger-fares collected jumped approximately 2,000,000 (accompanying table). Total war employment in Wayne County and outlying munitions-manufacturing centers, most of which must be served by the DSR, will soar to 755,000 by the spring of 1943.

Even before the threat of gasoline rationing, the DSR had undertaken a program of decreasing its service to the general public with a view to carrying war workers to defense plants with maximum speed and a minimum need for transfers. Chief problems have been to supply service to the outlying plants like the Chrysler and Hudson arsenals and the Ford bomber plant at Willow Run.

• **Ford Plant's Needs**—Estimated to employ over 100,000 workers when in full production, the Willow Run plant would need about 800 buses. Some cut in this number will be made by staggering shifts.

War workers come first in DSR war transportation policy, downtown workers second, and shoppers a poor third.

TOWARD A CRISIS

Local transit in Detroit, as employment on war work grows, is posing a more and more serious problem. Now, with the threat of nation-wide gasoline rationing, Detroit Street Railways gasp at the outlook. Here's how the system's traffic already has grown just to give an idea:

	Passengers	Bus Mileage
1941		
Oct.	12,742,917	4,213,319
Nov.	12,092,042	4,020,505
Dec.	13,340,085	4,626,444
1942		
Jan.	13,581,879	4,485,522
Feb.	13,244,986	4,286,713
Mar.	15,344,712	4,908,889
Apr.	15,369,378	5,000,000*

* Preliminary.

Bus service has been replaced with street-car service only on some lines. Street cars will handle night and Sunday traffic on many lines. Supplementary bus routes in suburbs have been discontinued. Workers from suburbs will travel on express buses which will make no city stops inbound except to discharge passengers, and none outbound except to pick up passengers, thereby forcing local traffic to street cars. Buses will make fewer stops.

• **Ride-Swapping Survey**—To aid a city-wide ride-swapping plan, 100 WPA workers are preparing, under the direction of the City Traffic Engineer, spot maps, showing where workers live. Through cooperation of plants and the unions, plus newspaper and radio advertising, it is hoped to overcome the situation in which few cars entering plant lots carry more than one or two riders.



Rubber to rent—that's the offer of the Detroit Street Railways system these days to motorists whose 6.00x16's are showing signs of wear and war. And with gasoline rationing threatened for the entire country, they'll have space

on the buses to add, "Ride on our gas, too." Only catch is, the city wonders if it is going to have enough buses to meet the growth in industrial load, much less to cater to distressed office workers and shoppers.

Uncle Sam's Price

General ceiling, affecting things bought by Army and Navy, raises many problems. Basic costs may become a guide.

OPA's general price freeze order, as originally issued, applied impartially to ladies' lace handkerchiefs sold by the Bon Ton Department Store and to bombsights delivered to the Army and Navy. The prescribed methods of fixing price ceilings were designed, however, to cover ordinary wholesale and retail trade, with scarcely a thought to the military procurement program.

• **Wasn't Meant That Way**—Such a result, of course, is incongruous. A large portion of the stuff bought by the armed services doesn't have a price—that is, it isn't standard goods and the price is generally arrived at by negotiation between the contractor and the procurement officers.

The Office of Price Administration realized as quickly as the Army and Navy that its general order just didn't fit pricing of goods bought under government contracts. To forestall any possibility that the sudden imposition of price ceilings would interfere with essential war production, sales of armament—whether parts, subassemblies or completely assembled units—were immediately excluded by a supplementary order and the application of the general order's price ceilings to sales and deliveries of other goods to the Army and Navy has been postponed until July 1, except on lumber bought by contractors for the Army engineers. With respect to all other government contracts the order was postponed until May 18 but deliveries under contracts entered into prior to that date may be made at contract prices until June 15.

• **Chances for Mixups**—OPA now is working with the Army, Navy, Maritime Commission, and other agencies on adapting the provisions of the price ceiling order to their procurement methods. For example, there's the provision that if a seller made no sale of a particular article in March—the base period—his maximum price for that article henceforth shall be the highest price charged by him in March for a similar commodity. This would throw Army and Navy buying operations into hopeless confusion. The option of taking the highest March price of the most closely competitive seller, as provided in the order, where the seller did not deal in either the same or similar articles in that month, doesn't help matters any.

Asking the OPA, as provided in the order, to put a price on a new article would, in view of the frequent changes

"Unforeseen events . . . need not change and shape the course of man's affairs"



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made in Army and Navy specifications, create an administrative bottleneck, the very thought of which is nerve-wracking. By a supplementary OPA order, government contractors or subcontractors may fix their own prices on a product essential to the war program simply by notifying OPA, but the hitch is that if OPA later rejects the requested price the contractor must refund the difference between the price charged and the maximum ceiling price to which he has taken exception, or the price determined by OPA.

• **Prices Keyed to Costs**—A practicable means of fixing ceiling prices on military and other government purchases may be found in relating them to basic labor and material costs in March or some other base period which is determined as more appropriate. This would eliminate the problem of having to apply to OPA for rulings on prices in so many specific cases. This is the approach taken in Maximum Price Regulation No. 136 on machinery.

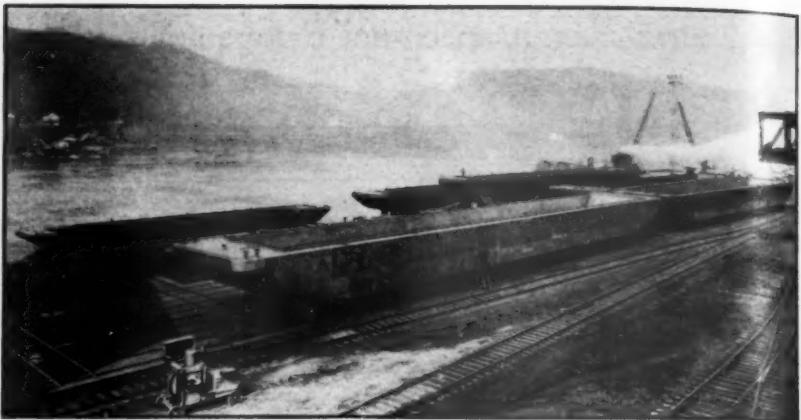
The machinery order provides with respect to all sales of machines and parts covered therein (to the government and otherwise) that, where there was no regular quotation on Oct. 1, 1941, the maximum price shall be computed on the basis of the manufacturer's labor and materials costs and overhead rate on that date. If it is not disapproved by OPA within 30 days, the price so computed then becomes the controlling maximum.

• **Postponement Is Necessary**—The machinery price order, which was to have become effective May 18, has been held off until June 1 with respect to non-government business and until July 1 with respect to government contracts and subcontracts. This was done to allow time in which to adjust outstanding contracts entered into since Oct. 1 to the terms of the order, to define the machines covered by the order more explicitly, and to clarify its application to government orders.

The Army and Navy are concerned quite as much with the machinery order as with the general price order because it covers such a large and important category of military purchases, including many parts and subassemblies of combat items exempted from the general order. Overhauling of the machinery price order is well along and the revised version is expected to be issued shortly.

• **Making Exceptions**—OPA's disposition is to examine each of the categories of goods which don't fit naturally under the general price ceiling order and make such revisions and adjustments as indicated for that category, including the government's business in each of them.

So far as price ceilings are concerned, the general order with its March base gives contractors a better break than the



BARGING AHEAD

Hitting a record-breaking stride, the Marine Department of the American Bridge Co., Pittsburgh (above) has in each of the past 13 weeks launched four 1,000-ton all-welded coal barges on an order for 60 units. On the ways of the MacEvoy Shipbuilding Co., near Savannah, Ga., keels were laid on Maritime Day for two 12,000-ton concrete vessels. These (right) are officially known as barges, but except for the fact that no propulsion power is provided, resemble cargo ships. The concrete shells of the boats are five-eighths inches thick. The Maritime Commission's barge-building program calls for 50 ships of this type.



machinery order with its Oct. 1, 1941, base.

• **Armed Forces Cooperate**—The Army and Navy obviously don't want the price ceiling orders to hamper their procurement programs and are working with OPA to modify them to the extent necessary. They will, however, respect OPA's orders and they expect their contractors to do the same. Where prices in outstanding contracts are over the ceiling, contractors must cut them back. The onus is on them, not on procurement officials, and policing is the OPA's job, not the Army's or Navy's.

Manufacturers who don't like the ceiling prices will have to take them. Procurement officers say plainly that any manufacturer who wants to quit production while he is arguing with OPA has another think coming. The Army and Navy have authority to issue mandatory orders and expect to exert it if necessary.

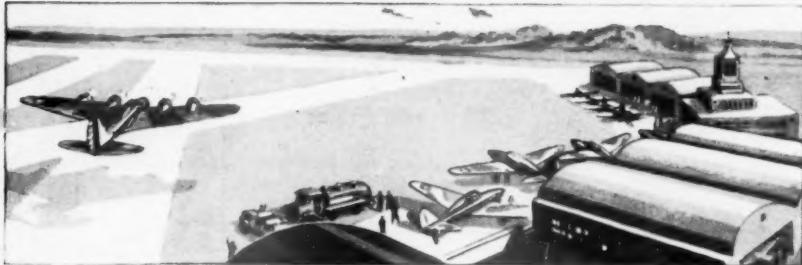
Prices of machine tools, brass goods, steel castings, and numerous other articles sold to the military have been controlled either by order or voluntary agreement for some time past. Little visible disturbance resulted as compared

to the commotion caused by the general price order. OPA's explanation is that previous regulations were issued only after considerable study of individual cases. This individual attention couldn't be given the myriad items covered by the general price ceiling so as to safeguard military purchases.

• **Stabilized Costs**—Procurement officers see a silver lining to the price ceiling. Contractors customarily have had to cushion their prices in order to allow for potential increases in labor and materials costs. Now they have reasonably definite assurance that materials prices won't go higher and that wage rates will stabilize.

The price-freeze is regarded as providing management with a fine tool to keep wages from advancing. Even though a manufacturer can't roll back wages, he has a swell argument against any further wage boosts and protection against the bidding away of his employees by other concerns.

• **Intent Is Clear**—In applying the price-freeze to government purchases, the OPA had the damper on wages in mind quite as much as reducing the high cost of war.



YOUR INSURANCE PROBLEMS *are different today*

Many industries today have transferred entirely to war production; others are in a state of transition; still others are building or operating huge facilities under government supervision. Insurable property values have increased by leaps and bounds. Due to different conditions now prevailing, many insurance programs have become almost outmoded.

The problems of legal and contractual liability—as well as of property protection—grow hourly more complex; the need becomes ever greater for skilled and unbiased assistance in providing insurance against sudden and serious financial loss.

In these days, when unforeseen possibilities of loss are being created overnight, the knowledge and experience of Johnson & Higgins are of even greater value than during normal times. We have welcomed the opportunity to act as insurance advisers in the construction of cantonments, air bases, ordnance plants and shipyards. We have also

revised the insurance programs of many clients indirectly affected by war conditions.

We can place at your disposal, *without additional cost*, our thorough knowledge of insurance contracts, laws, practices and competitive markets, our ability to recognize new possibilities of loss and to provide proper insurance therefor, and our complete and effective inspection, safety engineering and loss adjustment departments.

Undoubtedly the war has brought many problems to you, but *have your insurance affairs been reviewed by competent brokers in the light of today's conditions?* Johnson & Higgins invite your inquiry. A representative will gladly discuss these matters with you at your request. We are unbiased and independent—represent no particular insurance company—have no axe to grind, but yours. Our entire organization is at your service—qualified by experience of nearly 100 years and fully staffed to advise and assist you in all classes of business insurance.

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WAR BUSINESS CHECKLIST

Washington's Significant Orders on Materials and Prices

• **Machinery**—Production and delivery of heavy boilers, turbines, and electrical equipment are limited to orders for war agencies and those rated A-9 or better by Order L-117. Manufacturers must file production schedules with WPB.

Revision of the industrial machinery order, L-83, brings within its provisions coffee-grinding and food-grinding machines costing more than \$50 and dairy machines costing more than \$500. The revision also makes the limitations of the order apply only to sale and delivery; manufacturers are left free to manufacture for stock.

• **Bicycles**—In preparation for a widespread rationing program, OPA has issued Ration Order 7, permitting shipment of adult bicycles to distributors and—up to ten per outlet—to retailers. Every one in the trade must report inventories of adult bikes to OPA, and retailers may not receive deliveries until they have made the report.

• **Tires**—The period within which long-haul truck and bus operators may apply for emergency reserves of tires and tubes has been extended to June 15.

Prices of discontinued model passenger car tires are frozen at levels corresponding to the March price of current models by amendment of Schedule 63.

• **Leather**—Prices of pickled sheepskins are frozen by Regulation 145 at levels about equivalent to those of last October and about \$1 a dozen below levels set by General Maximum Price Regulation.

• **Insecticides**—Retail prices of agricultural insecticides are established by Regulation 144 at a level which will give each retailer the same dollar and cents markup over the wholesale ceiling established by the general price freeze as he obtained during that month of the year from April 1, to 1941 to March 31, 1942, in which he did the largest volume of business in the item. Household insecticides have been brought under control of Regulation 142, covering retail prices for summer seasonal commodities (BW—May 23'42, p66).

• **Transportation**—Office of Defense Transportation Order 10, effective June 1, forbids the operation of any bus for sightseeing purposes and forbids chartering of buses except for military purposes (including organized recreation), for schools and children's summer camps, transportation to work or church.

Restrictions of General Order No. 1 on the use of closed freight cars in intra-terminal movements have been modified to apply only to less-than-carload merchandise which can conveniently be handled by truck.

• **Gas Rationing**—OPA has won its first court victory in enforcing the gasoline

rationing order. It secured a temporary injunction restraining O. P. Stevenson, operator of the Whitehall service station in Anderson, S. C., from selling gas without presentation of a rationing card.

Volunteer war workers may be granted supplemental gasoline rations for traveling to and from the work and for travel in the course of work, OPA has ruled.

• **Lumber**—Mill prices of Appalachian hardwoods are frozen at levels based on those of Oct. 1-15 by Regulation 146. The regulation establishes specific prices for the various standard and "recurring special" grades and provides that special grades be priced by applying the differential which would have been used Oct. 1-15.

• **Razors**—Manufacturers' and jobbers' stocks of safety razors may not be sold except to the Army or Navy, according to L-72-a. Retail stocks are not affected.

• **Rubber Goods**—Prices of listed stock items of mechanical rubber goods are frozen for each manufacturer at his Oct. 1 level by Regulation 149. Special design items are to be priced by applying to the direct labor and material costs as of Jan. 5 the dollar-and-cents markup which would have been used on that date. A manufacturer who has no price for listed stock items arrives at a price in the same way as for special design goods except that he must use Oct. 1 figures.

• **Textiles**—Acting under Regulation 118, OPA has substituted definite industry-wide ceilings on eight cotton fabric groups to replace individual ceilings. The fabrics are ducks, flannels, grey soft-filled sheeting, warp sateens, woven table and laundry felts, grey carded gabardines, grey coutils, and grey moleskins.

• **Other Priority Actions**—Use of brass screws in attaching handles to saws is forbidden by interpretation of M-9-c. . . . Quartz crystals, according to M-146, may be used only in implements of war, oscillators and filters for federal or airline radios, telephone resonators. Holders of more than 25 lb. or ten pieces of unmounted crystal must report on PD-484. . . . Chemical producers, by amendment of P-89, may use an A-1-c rating to get a third of their supplies. . . . Amendment of M-34 requires coal-coking and oil-processing plants to be operated to produce the maximum amount of toluene. . . . Despite L-26, farm-equipment manufacturers may produce all the wooden grain bins they want.

• **Other Price Actions**—Application in Hawaii of the General Maximum Price Regulation has been postponed until June 18. . . . The temporary price ceiling on wholesale pork sales has been converted, with minor changes, into a permanent regulation, No. 148.

Boom in Beef

Record number of cattle and lucrative prices assure another new high in production of meat this year.

Last year will be known temporarily as the year of the big slaughter—of livestock. Before that, 1940 had held the record, and it is easy to predict that 1942 will set a new high point in meat production, with the total going well over 20,000,000,000 pounds, about half hogs and the rest beef, veal, lamb, and mutton.

Producers will be in the money up to their saddle horns; feeders will probably do even better, meat packers not quite as well as they would like.

• **Record for Cattle**—On Jan. 1, 1942, there was a little more than half a critter, either dairy or beef, per citizen in the United States. The total, 74,607,000 cattle, was slightly higher than the former peak in 1934 and represents entire recovery from the drought interruption of a rising trend in cattle population that had been going on for years.

These 74,000,000 animals were, with usual progeny, plenty to feed the nation through the current year and at the same time to keep the cattle population in its upward cycle, since normally at this stage the cattle industry would sell to the butcher fewer animals than the number of new ones added.

• **Stability Desired**—However, the Department of Agriculture does not want a rising cattle population this year, simply because excessive cattle numbers inevitably bring periods of low prices. The USDA does, nevertheless, want an enormous supply of meat. Hence it is urging producers to market cows, heifers, culls, and old animals in addition to normal or better marketing of steers. Ideally, the industry would then wind up the year with a record production of meat and a stabilized cattle population.

We eat beef when national income is high, do without it when income is low. This year income is certainly going to be high, which means strong consumer pressure for beef. But demand will go much beyond usual, for with the diversion of as much as 40% of pork products to lend-lease a good many unsatisfied pork eaters will be shifted over to beef.

• **Large Marketings**—The marketings of slaughter cattle during the first quarter of 1942 were 20% heavier than during the comparable period last year, a performance, however, that is not expected to be maintained in subsequent quarters.

Beef cattle, something less than half total cattle numbers, generally are raised west of the Missouri River, moved east for finishing, and then marketed. Dairy

2100° F.
IN 13 SECONDS!



TOCCO heats shell forgings so fast they can be handled without tongs!



Another vital armament job
being speeded and improved
by TOCCO Induction Heat
Treating:

Here, TOCCO heats the
open end of shell forgings—to 2100 degrees F.
in 13 seconds—so fast the shell body remains
cool and can be handled to the nosing press
without tongs. Heat is localized in section to
be forged.

Boosts output. Compared to former method,
TOCCO speeds up heating and handling. Reduces hazards.

Minimizes scale formation. Increases die life.

Improves operation. TOCCO controls the
heating period to 1/10 second, automatically.
Assures uniform temperature and uniform length
of heated zone.

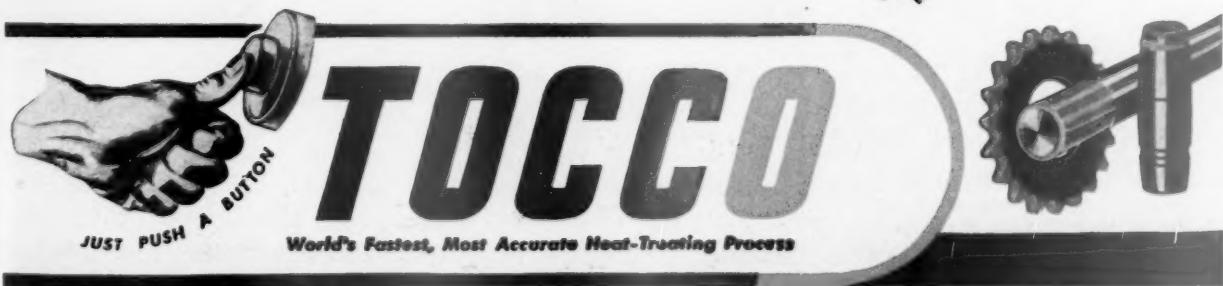
Machine is clean and cool. Occupies space
only 7 ft. x 5 ft. maximum. Pre-set controls.
Simple push-button operation; doesn't require
skilled labor.

TOCCO is a standard unit. Can be adapted
to post-war jobs by simply changing work fixture.

Investigate TOCCO today for speeding up
and improving your hardening and heating!

THE OHIO CRANKSHAFT COMPANY
CLEVELAND, OHIO

SPEEDY ELECTRIC HEAT IS GENERATED WITHIN
THE SECTION TO BE HEAT-TREATED



cattle live out their lives as easterners. Both produce beef, although of different grades. Both have been coming onto the market in response to rising livestock prices, which are considerably above any of the four possible ceilings (BW—May 9 '42, p84) above which OPA roofs may be imposed.

• **Cattlemen's Policy**—All the pressure is not one way, however. It is a fair opinion that cattlemen are not shipping in all their excess breeding stock and surplus cattle, and that dairymen are not letting all their extra heifer calves escape from the barn. The cattleman knows as well as Secretary Wickard that big cattle numbers mean a postwar dump in prices, but to take profits by selling an unduly large number out of his herd in this high-priced year means aggressively large income taxes. He is, therefore, selling only steers and only enough to pay off debts, put away some cash, and then pay the size income tax that suits him. He is keeping heifers, and the calves from these heifers will keep his herd growing.

Dairy cattle are bringing fancy prices as milk producers, and milk products are in big demand at good prices. Hence the dairymen is in no rush to sell either old cows or young heifers that will soon join the milk line. Probably one reason for sustaining dairy herds is that dairymen, and a lot of new dairy herd buyers, are convinced that breeding up good blooded herds will pay dividends when the day comes that the United States can sell dairy cattle to Europe to repopulate the ruined industry over there.

• **Feed Price a Factor**—Both these producers have one tough obstacle to watch for. Feed prices have been high, and feed puts the pounds on cattle. Western cattlemen normally have range and home-grown feed, but to finish out prime beef in the Chicago area on wholly purchased feed today costs 18¢ to 20¢ per lb. As a result there has been a distinctly noticeable decrease in cattle quality in recent months. Since the first of the year stock has been coming to market in less than top quality, spurred by high feed and to some extent probably by fear of price ceilings.

Livestock feed, particularly the high-protein concentrates, may be in a little easier supply after crops are harvested this year, which will support dairymen in holding back on marketings. Meanwhile the western range country has already had one lush grass season and looks as if another one is under way.

• **Probable Results**—The USDA goal calls for slaughter of about 28,000,000 head of cattle in 1942 compared with 26,000,000 last year. If that figure is reached, and consumer demand may force it, the goal of stabilization in population numbers will pretty much be met. What is more likely is a compromise, heavier meat production, but not quite enough to hold population static.

THE WAR—AND BUSINESS ABROAD

Time to Gamble?

Arrival of United States military mission in London emphasizes possibility of a second front—but not right now.

Biggest news of the week in appraising the long-term progress of the war was the arrival in London of a full-fledged United States military mission, obviously of the caliber to carry on important negotiations with the British High Command. Coupled with last week's headlines of the arrival of "large units" for the American Expeditionary Force in Northern Ireland, it led many people to the conclusion that the United Nations are preparing soon to create a second front in Europe.

Unquestionably plans for a second front are under consideration. If the

Nazi reinforcements arriving now in important numbers in Russia make it possible for the Germans to seize the offensive along the Kharkov sector of the Russian front, the United Nations are certain to step up at once their attacks on Nazi-held territory in Western Europe and the bombing raids on the Reich's war industries.

If Russia Doesn't Hold

If the Germans break through, take Rostov, threaten to cut off the Soviet Union's main oil supply in the Caucasus, the High Command in London would probably feel obliged to take more risks in an effort to draw off some of the men and equipment now concentrated in Russia.

The wave of optimism against which President Roosevelt issued his warning last week has grown out of the realization during the last few months that there is nothing invincible about either the Germans or the Japanese. They



GOOD NEIGHBOR DEPARTS

Hemisphere unity got a boost as departing President Prado of Peru (right), at the end of a flying, 15-day state visit to the United States which included a tour of the Ford Willow Run bomber plant and the Chrysler

tank arsenal, told Secretary Hull: "The war effort of the United States is stupendous. My visit could not have been more satisfactory. The cause the Americas have espoused is bound to triumph." Heads of other South American states may make similar tours as President Roosevelt's guests.

BULLDOG TROL-E-DUCT SYSTEMS

SPEED ASSEMBLY LINE AND BENCH PRODUCTION with Mobile Light and Power

This picture tells its own story. Power for portable tools moves along with the job—workmen have light exactly where they need it—in plants equipped with BullDog Trol-E-Duct Systems.

These two great systems, pioneered by BullDog, solve many troublesome problems of bench and assembly line production. No long, dangerous cords or cables. Nothing to trip over. No fumbling for connections.

BullDog Industrial Trol-E-Duct delivers power by the shortest route. Light tools need only a few feet of cord. Heavier tools requiring support, are suspended directly from the trolley overhead. And in a parallel run, Universal Trol-E-Duct provides movable lighting all along the line.

More Speed — Greater Safety — Lower Cost

Hundreds of war production plants, large and small, are using BullDog "Plug-in" Light and Power for good dollar-and-cents reasons. BullDog Systems are easily installed—conserve critical materials. They are 100% salvable. They speed production—cut maintenance costs. Write for descriptive bulletins. And remember that BullDog engineers, conveniently located in 30 cities, will if you wish take off your hands the whole job of designing a complete flexible electrical distribution system.

Note the parallel runs of BullDog Industrial and Universal Trol-E-Duct over the cutting bench in this great military clothing manufacturing plant. Power is tapped and lights are suspended from movable trolleys. Inset photo shows Universal Trol-E-Duct trolley assembled to Plain Tool Hanger with removable side plates for ready access to wiring connections.

BULLDOG ELECTRIC PRODUCTS CO.

DETROIT, MICHIGAN

BullDog Electric Products of
Canada, Ltd., Toronto, Ontario



ORIGINATORS OF FLEXIBLE ELECTRICAL DISTRIBUTION SYSTEMS FOR LIGHT AND POWER

won their first victories with masses of equipment and trained men which they had piled up before other nations started to prepare for war.

But the Chinese long ago proved that they could rather easily outmaneuver the Japanese, and could almost always outfight them if not outnumbered and hopelessly outmatched in equipment. And the mechanized Russian forces, from the first, proved that Nazi armies were not invincible.

Difficulty of Transport

It is not surprising that Americans have turned optimistic now that they see this country producing munitions and planes at a rate equal to, or surpassing, the Axis. What they forget—and this is what the President had in mind when he issued his warning last week—is that it is one thing to produce masses of war supplies in this country but it is another thing to deliver them in the quantities needed to fight today's battles on fronts sometimes 8,000 miles away. It can and will be done, but it will take time.

To give the proper perspective to problems confronting the United Nations during the critical five months just ahead, it is necessary to take into account certain distance factors and to measure today's rates of production against accumulations of material in the Axis countries. These still throw the balance in their favor though they can't continue for long to do so.

Disparity in Numbers

Despite the headlines, it is not likely that there are more than three or four divisions of United States troops in Northern Ireland today. These are not yet what an Army official would call "well-seasoned" troops, but they can continue their training at the same time they are helping to guard the British Isles or prepare for an invasion. There are believed still to be 150 seasoned German divisions across the Channel—behind fortifications which have been greatly strengthened in the two years the Nazis have held them.

The biggest bottleneck in the American production program is shipbuilding, despite the fact that this country will produce between 8,000,000 and 9,000,000 deadweight tons of merchant ships this year (page 13). For the first time in this war the rate of ship production in April topped one a day and by next month may reach two a day. But until recently this was matched by sinkings, many of them along our own seaboard.

Germany's Big Advantage

This explains Washington's concentration on the shipbuilding program during the last two months. But it also dampens the enthusiasm of those who realize that, according to the estimates

of experts, modern warfare requires 3.7 tons of shipping to maintain each soldier 3,000 miles from home. That's just about the distance from New York to Liverpool by the direct route, but it's only half the distance to Murmansk, and less than half the distance to Australia. And it's 14,000 miles (around Africa) to this country's new repair base on the Red Sea. In contrast, Germany's inside supply lines from the Ruhr to the front at Kharkov are little longer than 1,300 miles.

These are some of the problems which the military experts meeting in London this week will have under consideration. Their strategy now must be to help Russia hold the Axis during the next few months and to set the stage for an all-out offensive against, first the Reich, then Japan. On the results of their negotiations and on the outcome of the battles now raging on the Kharkov front will depend the summer's new marching orders for business.

Textile Revival

Higher output, after long period of limitation, marks an unusual (but not typical) turn in Britain's war business.

LONDON—When the British government announced this week that 12,000 former textile workers would be transferred back to their original jobs in the mills after having been drafted for a year to work in the munitions industry, the move raised again the question of what has happened to industries and workers dislocated by the war (BW—Dec. 20 '41, p30).

• **Changes in Program**—The readjustment that has become necessary in the cotton textile trade is no surprise to many. The Lancashire cotton industry was the first branch of British business

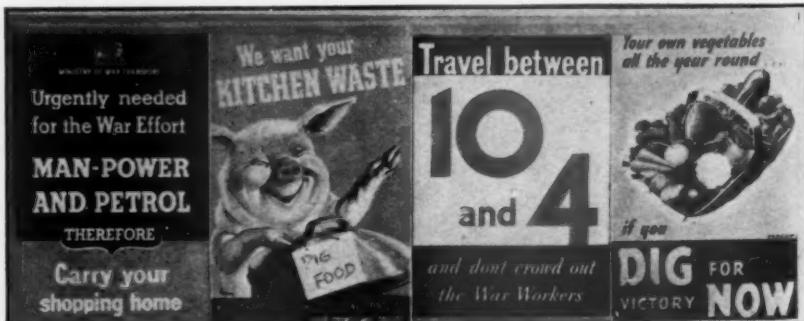
to be drastically curtailed under London's concentration-of-industry program a year ago. It coincided with the introduction of rigid clothes rationing and the curtailment of exports following the adoption of the lend-lease program.

Recently, however, the extension of the war to tropical regions has created a vast new demand for cotton uniforms, and for larger exports of civilian cotton manufactures to some countries formerly supplied by Japan. It is to meet these new needs that Britain has been forced to withdraw some textile workers from the munitions industry, and to reopen a few of the closed textile mills.

• **Experiences Differ**—Not all business has had the same experience. Practically all manufacturing companies whose normal production has been restricted by the various Limitation of Supplies Orders or for other reasons such as the shortage of materials have taken up some form of war production. Only the nucleus plants (in industries where extensive concentration of production has been effected) continue to produce their peace time goods or the standardized war time equivalent. This is true in the cases of the automobile and toy industries and for manufacturers of light electrical products such as radio sets, refrigerators, electric irons, and washing machines.

The private automobile industry has, of course, been practically cut to zero, while under the Limitation of Supplies Orders, the output of musical instruments, sports equipment, toys, vacuum cleaners, refrigerators, and lawn mowers has been cut to 25% of the prewar figure. The manufacture of toys containing more than 10% of metal by weight has been prohibited, and there is a growing expectation that a similar prohibition will soon be extended to other categories of nonessential goods, lawn mowers being mentioned in particular.

• **Profits Little Affected**—The private car manufacturers were, of course, con-

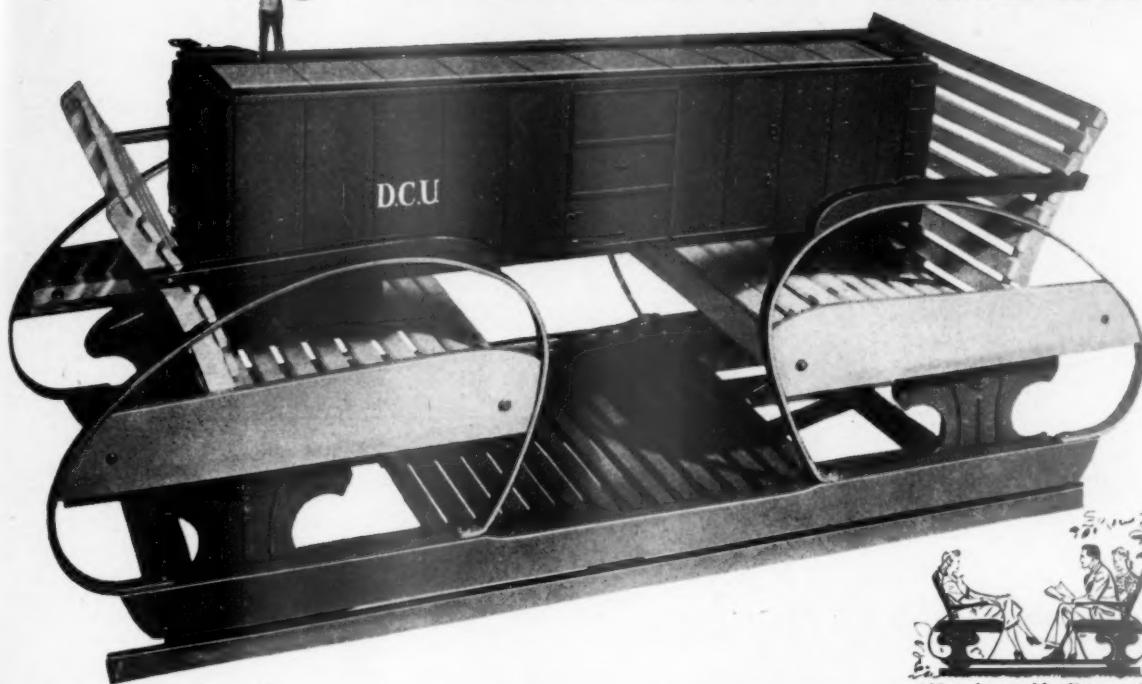


HOME FRONT—ENGLAND

Everything for victory! That's the theme behind the British government's poster appeal to the public to economize in all possible ways. Aided

by such visual education devices, the government pretty well controls the life of the individual Englishman these days, but the British point out that they have no Gestapo—most of the "conforming" is voluntary.

Your rail freight is safe from jolts in this immense "GLIDER"



DURYEA *Cushioned* CARS float through the wallops that damage shipments!

Heavier loads and faster schedules make America's rail freight service the world leader in speed and economy. But they also create new hazards. In coupling, starting and stopping, freight cars take severe jolts and jars that sometimes injure lading. Your goods need Duryea shockproof protection.

DURYEA — Modern Freight Safeguard

The Duryea Cushion Underframe has replaced conventional draft gear (old-style shock-absorbing device) on tens of thousands of freight cars, because it gives over three times the security from damaging smacks. Ordinary draft gears often wear out, stick or "go solid"—Duryea Cushion Gear operates at full efficiency, *always*.

In Duryea-Cushioned Cars, floating center sills (an exclusive Duryea development) let the car glide through each impact, instead of being held rigid against it; giant springs further lessen the blow.

Cost of Duryea gear has been reduced so that it now compares favorably with conventional construction. Further, it produces continual savings in reduced packing expense, lower maintenance, permits faster handling, keeps cars rolling.

Write for illustrated booklet

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Field Building, Chicago, Ill.

DURYEA *Cushion* UNDERFRAME For Freight Cars

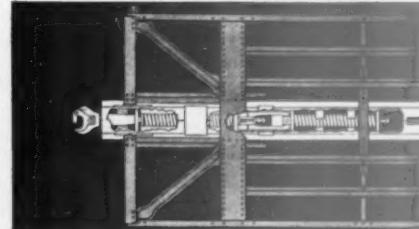
THE MODERN SAFEGUARD FOR SHOCKPROOF SHIPPING



A blow that would splinter a rigid wooden bench would merely cause a glider to move. Similarly, Duryea floating center sills give with each blow instead of resisting. Car and contents ride over the wallop unharmed.



ONE SMACKS! ONE SLIDES! Photos show how Duryea floating sills lessen shock. Left: Block of wood (sill) against wall will crack when hit with sledge. Right: With spring allowing block (sill) to slide, even hardest blows won't cause damage.



PHANTOM VIEW shows how giant springs and floating center sills cushion each wallop, protecting car and contents. A Duryea installation lasts for the entire life of a car.



RAILROAD MEN! Duryea-Cushioned Cars reduce maintenance costs and damage claims. Duryea Gear costs little, pays for itself quickly. Why not investigate for your road?



We have lost the hours ... we must win the minutes

NOW minutes must do double duty for America. We will win the Battle of Production by making every second count—by using all available facilities to increase production now. That 'ideal' plant you are planning...that production which won't even start for a year or six months may again be "too late".

THE NORTH CAROLINA PLAN

proposed by Gov. J. Melville Broughton is striking in its simplicity.

Instead of wasting months and millions of man-hours—waiting for new plants to be designed and constructed, THE NORTH CAROLINA PLAN proposes that many industries which are faced with war orders in excess of present capacity, can increase production almost immediately by setting up in available plants...plants already built...where labor, housing facilities, power and raw material supply present no problems.

For instance...a sur-



GOVERNOR OF NORTH CAROLINA

veystill in progress shows that North Carolina has immediately available for war production 3,399,905 square feet of factory space. At these locations there is no housing problem. Loyal American workers, 99% native-born, both skilled and semi-skilled are plentiful. Excess power which can be used for war production amounts to 52,072,000 kilowatt hours weekly. North Carolina has much of the raw materials for war production. The mild climate permits full year-round production...strategic location allows shipment with the least burden to the nation's overloaded transportation system.

Telephone, wire or write today for detailed information. Establish part of your production in North Carolina now. It will fit ideally into your post war plans. Address *Industrial Division, 2978 Dept. of Conservation and Development, Raleigh, N.C.*

NORTH CAROLINA

verted early in the war to the production of military vehicles and other equipment for the armed forces. The change-over has insured the continuance of a high level of activity and for the most part has not resulted in any serious decline in profits of the major units.

Gross profits of Morris Motors, for example, rose from £1,751,695 in 1938 to £2,385,568 in 1939, though they fell again to £1,951,442 in 1940. Taxation and special reserve allocations were, of course, higher in the two latter years, but even so the reduction in dividend was not large, from 45% in 1938 to 40% in 1939, and 17½% tax free (equivalent to 35% with tax at 10s in the £) in 1940. An interim dividend of 10% tax free has been declared for 1941.

• **Other Examples**—Vauxhall (General Motors) has maintained its dividend at 15% throughout 1939, 1940, and 1941, while Ford paid 6% in 1939 and 1940, and an interim dividend of 3% for 1941. Austin cut its dividend from 15% (with 4% capital bonus) in the year ended July 31, 1939, to 10% for 1940.

That the quota restrictions on the output of toys have at least been counterbalanced by war work undertaken by the companies concerned is shown by the trend of profits of these companies. In practically all cases the companies have been able to maintain the prewar level of profits and, in the case of one of the leading companies, profits rose by about 75% between 1939 and 1941.

• **Job of Conversion**—The manufacturers of radio sets and household electrical appliances have also undertaken production of war material. A number both of the larger and smaller radio manufacturers are working on radio-location instruments and parts and, while maintaining a part of their normal trade, have converted some of their shops to war materials.

This necessitated the removal of much of the existing machinery and its replacement by new equipment, but experience has shown that munition production can often be got under way much more rapidly if existing buildings with gas, electricity, drainage and other services available can be taken over to house the special plant required than if new buildings, however temporary in character, have to be constructed. Even the piano industry has been concentrated, the whole of the present output being produced in seven factories.

• **Auto Dealers' Problems**—The distribution picture is very different. Many of the smaller motor-vehicle sales companies have closed or are carrying on with skeleton staffs, possibly doing a small trade in second-hand vehicles or attempting to earn enough to cover rent and expenses through the provision of garage space or, if equipped to do so, by undertaking servicing and repair work. Some of the larger companies which in peace-time maintained showrooms in central

London and a servicing and repair depot in the suburbs have closed the former and transferred such sales business as remains to the depot.

For the most part these companies did not have much capital tied up in their showrooms, which they rented more often than owned, and they were able to cut expenses drastically by transferring their businesses.

• **Draft Takes Employees**—Large companies, such as Henlys, which always had an important stake in the second-hand market, are for the most part carrying on as before. The staffs of these companies have been considerably depleted by the drafting of the younger members.

The volume of trade is substantially reduced, but prices of second-hand vehicles have soared to figures considerably in excess of the prewar price of corresponding new cars. The profit margin on individual transactions is therefore considerably higher than was the case before the war. Such companies advertise freely in the newspapers, offering high prices for second-hand cars in good condition. But in spite of this the public generally appears to prefer to lay up cars when not in use rather than sell, since it is believed that high prices and the shortage of vehicles will continue for some time after the war.

• **Few Laid Up So Far**—Up to the present there has not been a very substantial fall in the number of cars in use, but the withdrawal of the basic gasoline ration after July 1 and the increasingly severe restrictions on the purchases of tires are likely to result soon in the laying up of a considerable number. Some of these will no doubt find their way onto the second-hand market. As a matter of fact, the volume of second-hand car sales coupled with the high profit margin has been sufficient so far to insure steadily expanding profits to the leading second-hand dealers and the profits of Henlys, Ltd., have increased from £25,866 in the year ended August 31, 1939, to £49,736 in 1940, and £57,933 in 1941.

In contrast, there has been a very sharp fall in the profits of Stewart & Ardern, Ltd., main distributors of new Morris cars, from £55,703 in the 1939 fiscal year to £6,121 in 1940, and to £857 in 1941. The large second-hand dealers, of course, made substantial profits on the stocks of vehicles which they held on the outbreak of war, and Henlys' high profits in the last two years undoubtedly owe a lot to this factor.

• **Filling Stations Hit**—With regard to filling stations a large number have closed, but the companies concerned receive some compensation from the profit on the sales of those which continue to operate. Moreover, the majority of filling stations are attached to garages which have servicing facilities, for which there has been a heavy demand.

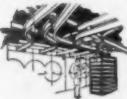
The restrictions on the purchase of new vehicles have meant that private

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1914-1942
75 YEARS OF
LEADERSHIP



Air Attack!

On Industry's Handling Problems Gains Many Objectives



There's a Louden Monorail system or equipment for every plant, every purpose, every material. It lifts, lowers, conveys, hauls, weighs and dips.



Louden Monorail handles materials into, through and out of ovens, spray booths, and other processes. Goes from aisle to aisle, department to department, floor to floor, plant to plant.



FREE Materials Handling MANUAL

64 pages of facts and photographs, scores of installations. How to handle all kinds of materials in all kinds of plants. A wealth of man-saving, time-saving, space-saving ideas and methods. Write for free copy today.

American Industry, faced with the biggest job in its history, knows it cannot wait for tomorrow's factories to be built. Its job is to unearth more productive facilities today. And resourceful managers are gaining many of their objectives by AIR ATTACK . . . looking to the AIR LANES in their plants, moving materials handling to the ceiling via Louden Monorail. Louden gets handling out of the way of production machines, uncovers overlooked space, releases workmen from non-productive bull labor so they can take over vital productive jobs, and speeds up material processing and materials handling. Moving materials handling into high gear by moving it to the ceiling and tying plant transportation together have long been the job of Louden Engineers. Louden, the Pioneer Monorail System, used more universally than any other system, has years of broad and versatile engineering experience behind it. With a wide range of equipment to draw from, it handles anything from 10 pounds to 10 tons.

Doubled plant capacity permits surprisingly prompt deliveries on many items. Consult Louden Engineers for a solution of your material handling problems. Write or wire today. The Louden Machinery Company, 5222 S. Superior Ave., Fairfield, Iowa.

LOUDEN MONORAIL

UNTANGLES MEN, MACHINES,
MANUFACTURING AND MATERIALS HANDLING

cars and commercial vehicles have to be kept on the road even after they would normally be scrapped, and at the beginning of 1941 the Motor Agents Association had to call the attention of the government to the need for proper organization of repair facilities. Due to the drafts there was a definite shortage of skilled labor and several garages had been compelled to close down. Later in the year, the Ministry of War Transport appointed F. G. Smith, president of the Motor Agents Association, as repair adviser to the Ministry.

Certain garages in each town and area have been appointed to carry out repairs to military and government vehicles of all kinds and these garages are not generally available to the public. Other big garages, particularly those with large floor space and good services, have been taken over and equipped.

Brands Face Ban

Canada weighs policy of suspending trade names. Idea gains because manufacturers find present plan faulty.

OTTAWA—Canadian authorities are reported this week to be considering a spectacular new move in their price control program—the suspension of trade names for the duration of the war.

No final decision has been reached yet. Dominion authorities are known to have been considering the idea for some time, but leaders both in business and in the government have bucked the idea until now. This week, however, there were recurrent rumors that offi-

cials had just about decided to present their case to the country's leading industrialists who would be most influenced by any action that may be taken in this direction.

Recent developments have made industrial leaders a little more sympathetic to the proposal than they were when it was first raised.

In the first place, a number of civilian industries have been forced recently to concentrate their production in one or two plants which can handle the limited output that is allowed now. The remaining plants have been converted to the production of war supplies.

But, so far, the Canadians have been following the practice of the British (BW—Dec. 20 '41, p30) in seeing that the trade name of individual manufacturers goes on the goods delivered to his old customers, no matter who is now making the product.

• **Present Plan's Flaws**—While industrial leaders realize that price control authorities have adopted this plan in order to preserve their trade names and to be as fair as possible in maintaining the framework of peacetime trade until after the war is over, there are several reasons why they are not very enthusiastic about the plan now that they see it in operation.

A hitch arises because the plants which have been converted to war production have no control over the quality of the article which the nucleus manufacturers produce, though, by agreement, it carries their label. Moreover, the public is likely to lose its respect for individual company brands when it knows—as all Canadians do—that all the products now are produced in one or two plants and, in some cases, according to a single quality and pattern.

• **A Single Label**—If trade names are suspended the standardized products will be distributed to the trade and ultimately to consumers under one label—such as Canada Wartime Brand. Trade names will be preserved during the period of suspension, and owners will resume the production of branded merchandise after the war when standardization ends and competition is resumed. Officials believe this plan will protect the interests of trade-name owners better than the use of the names on standardized articles with the production of which they now have no connection.

Set up in February, Canada's Simplified Practices Division of the Wartime Prices and Trade Board is rapidly becoming a leading factor not only in managing the price control program but also in sponsoring the shift of many additional industries to war production.

• **Problems Tackled**—The division has three main objectives: (1) preservation of the price ceiling; (2) release of machines and manpower for war production; (3) assistance to industry and

NATIONAL WAR LABOUR BOARD COST OF LIVING BONUS

The Dominion Bureau of statistics has found that the cost of living index number for April 1, 1942, of 115.9 (adjusted index 115) has not risen by one whole point or more over the index number for October 1, 1941, of 115.5 (adjusted index 114.6). Accordingly, the National War Labour Board, pursuant to the provisions of Section 12, of Order in Council P.C. 8253, determines and announces, for the period May 15, 1942, to August 15, 1942, subject to the right of employers or employees to apply to a War Labour Board for authorization of payment of such an amount of cost of living bonus as a Board may determine to be "fair and reasonable", under the provisions of the Order, that:

(a) There shall be no change in the amount or percentage of cost of living bonuses presently being paid;

(b) An employer who has not been paying cost of living bonuses may not begin to pay such bonuses.

By Order of the National War Labour Board,

HUMPHREY MITCHELL
Minister of Labour and Chairman

Ottawa, Canada
May 12, 1942

WAGE CONTROL AT WORK

Washington is still only talking about controlling wages, but Canada has a definite wage-restriction scheme in operation (BW—Jul. 19 '41, p14). An advertisement which appeared in lead-

ing Dominion newspapers last week explains to all workers and employers that the official cost-of-living index rose less than 1% during the last three months so no additional bonus needs to be paid under the nation-wide anti-inflation plan now in operation.



The Country Club's new tractor is protecting the Panama Canal

If the fairways of the Country Club are a little rough in spots, members can add a stroke or two and blame it on the Japs. For the materials to produce the new tractor that was going to pull the club's gang of lawn mowers are now in a tractor somewhere in Panama, hauling a heavy gun. Either there or on our farm lands, helping a farmer grow bigger crops. Between them, Private Brown and Farmer Brown get all the new tractors there are.

In this war of blitz and counter-blitz, big guns must have the mobility of tanks. That means a tractor for every heavy gun. Add to these the thousands of tractors our farmers must have, and it is easy to see why the tractor

manufacturers must strain every resource to fill the need.

In doing so, they smoothed out important production tasks in cooperation with the Revere Technical Advisory staff. For in all problems of copper and its alloys Revere provides a service, as well as metals, that can make manufacturing operations quicker and easier.

Every ounce of copper and brass our country can produce is needed to win the war. None can be spared for any other use. But Revere is especially well equipped with new plants, improved machines, advanced processes to supply a heavy share of these vital metals. And more facilities are rapidly being added to help get the war won soon.



The Revere Technical Advisory Service functions in (1) developing new and better Revere materials to meet active or anticipated demands; (2) supplying specific and detailed knowledge of the properties of engineering and construction materials; (3) continuously observing developments of science and engineering for their utilization in production methods and equipment; (4) helping industrial executives make use of data thus developed. This service is available to you, free.

REVERE COPPER AND BRASS INCORPORATED

EXECUTIVE OFFICES: 230 PARK AVENUE, NEW YORK

business in keeping the way clear for readjustment to postwar operations.

A fundamental principle on which it is proceeding is that business itself will do what is required without compulsion. All that is necessary is that Ottawa work out an over-all program that is rational and act vigorously and without bias in putting it into operation.

Its moves to date have mainly been original, perhaps setting leads for the continent, but in a few cases it has merely adapted patterns established by Washington.

• **Accomplishments**—Clothing economies have already been made which are estimated to save enough cloth for one uniform for every member of Canada's armed forces (a U. S. adaptation); delivery services have been curtailed and will be cut further; there has been an important reduction in designs and varieties of paper products; designs of prints and rayon fabrics have been curtailed; the packaging of fish, tobacco, and other products has been standardized. Designs of boilers and radiators have been reduced; so have the number of sizes of bolts and screws, plumbing equipment, shipping cases, and farm machinery. Rubber footwear styles have been cut from 354 to 65, and full-fashioned hosiery from 40 to 4.

The immediate program includes further concentration of production, one or more plants taking over; elimination of duplication in sales effort; elimination of cross-hauling and other delivery wastage through a new division of territories. A start has been made on all of these. Wholesalers' and jobbers' delivery schedules have been established for a few communities.

• **Timing Conversion**—Indicative of progress in the general program is its interlocking connection with manpower control. Concentration of the manufacture of consumer commodities is being timed by Ottawa authorities to release workers as they are needed for war production. Conversely, the Manpower Control Office notifies the Simplified Practice Division in advance of impending manpower requirements and the production concentration program is adjusted accordingly.

Yet there is one economy in business that's openly frowned on by the whole control organization: slashing of advertising. The reason given is that an alert and independent press is an important factor in the war effort and is in the best interests of business. Advertisers have been warned openly by numerous government officials that withdrawal of commercial support from the press would destroy its independence and perhaps force it to accept federal subsidies.

• **Labor Registration**—As a preliminary to the manpower pattern for war industry already drafted (BW—May 23 '42, p38), Selective Service Director Little has called for an immediate registration



UNRATIONED GAS

Gasoline rationing in Canada prompted one William Thornton of Edmonton to convert his automobile from a diet of gasoline to natural gas. From the nonstreamlined gas chamber on the car roof, Thornton claims his engine draws cheap fuel—200 miles for 38¢ worth of gas.

of all unemployed in Canada, to be followed by registration every two weeks. The object is to find jobs for all workers before making drastic shifts of workers from nonwar to war industry.

On an understanding with Washington that Canada will be paid for munitions pooled, at least to the extent necessary for financing Canadian purchases of raw materials and production equipment in the U. S., Ottawa has decided, after some hesitation (BW—May 16 '42, p34), to join Britain and the United States in the United Nations munitions pool now being set up at Washington.

• **One Hurdle Removed**—The understanding about payment removes the danger seen by Munitions Minister Howe and other members of the Ottawa government that the diversion of Canadian armaments from direct delivery to countries ordering them might compel the curtailment of Canada's war output by making it impossible for Canada to finance the buying of essential supplies from the United States.

Basis of the arrangement is that "the order goes with the goods" into the pool, which means that if Britain orders guns from Canada, or the United States orders aircraft, and these guns or aircraft are assigned by the munitions assignments board out of the pool to Russia or China, Britain or the United States will be responsible for payment.

• **Workings of the Pool**—Through Canada's entry into the pool, the Dominion's outright gift of a billion dollars' worth of armaments to Britain becomes

instead a gift to the United Nations.

The Ottawa-Washington understanding about payment for pooled munitions signals Ottawa's rejection of proposals for parity of U. S. and Canada exchange. Ottawa's position in opposition to parity has been established now. A hint of its plans for further treasury profit from the exchange differential may be seen in a Commodity Prices Stabilization Corp. deal in calf skins. The corporation is buying up all Canadian skins at ceiling prices, selling the surplus to the U. S., and keeping the profit, including the exchange premium. This is in line with plans being studied by Ottawa officials for grabbing the exchange premium on all exports.

• **Adjusting Meat Prices**—Ottawa has found a solution for Canada's beef scarcity problem arising out of the quarterly quota export of cattle to the United States for prices higher than those allowed by the Canadian ceiling. Hector McKinnon's Commodity Prices Stabilization Corp. (the ceiling subsidy division of the price control administration) is setting up a subsidiary to be known as Food Corp., Ltd., and to be headed by Foods Administrator J. C. Taggart. The new corporation will buy from cattle exporters enough cattle to meet the Dominion's domestic needs, paying prices which will give producers the same return as if the cattle were exported. It will then sell the cattle to packers. Involved is an adjustment of packers' ceilings, with a corresponding adjustment through the trade.

Mexican War Aid

Declaration against Axis, sought by Camacho, strengthens hemisphere plan; means more metals and end of disputes.

When President Manuel Avila Camacho asked the Mexican Congress for permission to declare war on the Axis as a result of the sinking by German submarines of two Mexican tankers in the Gulf of Mexico, Latin American collaboration in the war effort seemed at last to have arrived on a really important scale, and that was considerably more important than the possibility that Mexico would send troops abroad to fight with the United Nations.

Mexico has been cooperating with the United States on a defense program for several months, with a permanent joint defense council working on plans for cooperative action in case of attack. This parallels the work of the Canadian-United States defense council which was set up more than a year ago.

• **Bulwarks Hemisphere Program**—But this week's move in Mexico City is expected to extend the cooperative action

THREE FOR V



UNITED
FOR
VICTORY

WHAT does it take to move a million tons of freight a mile every minute—as the American railroads are doing?

What does it take to have cars, when and where they're needed—so that every minute a dozen different freight trains start out on their runs?

It takes good equipment, skilled manpower and efficient management.

It takes the full, three-way cooperation of those who ship goods, of the railroads which haul them, and of those who receive them.

It's up to the shipper to load his cars to capacity as

soon as he gets them. It's up to the railroads to speed them to their destination. And it's up to the receiver to unload right away and see that no cars are used for storage purposes.

Such teamwork as this has enabled the railroads to handle the greatest transportation job in history. How much more they can do depends upon the materials they are permitted to get for repair and maintenance, and for additional cars and locomotives.

Whatever that may be, the railroads, the shippers and the receivers—THREE FOR V—will work together to help win this war.

ASSOCIATION OF

AMERICAN RAILROADS

WASHINGTON, D.C.



WE CAN'T LET THEM DOWN

**DON'T LET
A WORN OUT
Air Compressor**

SABOTAGE YOUR WAR EFFORT

SPEED

More speed!
War doesn't wait! If you need air under pressure in your factory you need it all the time. Every breakdown of a worn out air compressor wastes vital man hours that can never be regained. Replace it now with a Wayne.

SPEED

More speed!
Our armored forces need weapons now... not next year. If lack of air is the "bottle neck"—ask for a Wayne engineer. We'll help you boost production and eliminate "waiting time" due to insufficient air compressor capacity.



THE WAYNE PUMP CO.

Fort Wayne, Indiana
World's Largest Manufacturer
of Gasoline Pumps

between the two countries into the economic field and greatly to strengthen Washington's whole hemisphere economic and defense program at a time when United States officials most fear that Berlin and Tokyo—if they see the war turning against them—will, in desperation, attempt to carry the conflict to this hemisphere by making sporadic attacks in the Pacific and stirring up trouble in certain Axis-infested Latin American countries.

Mexico's first moves are expected to include (1) congressional authorization for the government to seize the funds and property of all Axis nationals in Mexico, (2) forbidding of all trade with Axis firms in any part of the world (probably by adopting the United States blacklist of companies which belong to Axis nationals or are friendly to them), and (3) interning of all Axis agents.

• **Working Both Ways**—But it is in the supplying of larger quantities of raw materials that Mexican cooperation will be most important, for this will help to build a stronger economy in Mexico at the same time that it is meeting the raw-material needs of important war industries in the United States.

This cooperation got its start last fall when Mexico and the United States signed an agreement primarily calling for a settlement of the four-year-old oil controversy which had been the biggest obstacle in recent years to a new economic understanding between the two countries (BW—Nov. 29 '41, p22).

• **Oil Seems Settled**—At that time, both countries agreed to submit the cankerous oil issue to a review by two experts, one appointed by each country. Their final report was submitted more than a month ago (BW—Apr. 25 '42, p32) and, while the oil companies have not yet formally announced that they will accept its recommendations calling for settlement of their claims for a mere \$24,000,000, the fact that they have not repudiated the report is considered a hopeful sign.

Also as a part of the November agreement, Mexico agreed to pay \$40,000,000 to settle all other outstanding property claims, and both countries agreed to start negotiations for a reciprocal trade agreement at once.

The United States, in turn, promised to help stabilize the Mexican peso by buying Mexican exchange whenever it might be under strain due to unbalanced foreign trade, to resume the purchase of 6,000,000 oz. of newly-mined Mexican silver a month, and to provide Mexico with \$30,000,000 of Export-Import Bank credits over the next three years to enable the country to push the national highway program.

• **More Metals**—When the United States entered the war, Washington speeded up its economic negotiations with Mexico. Prices for strategic materials—particularly lead, copper, and zinc

were boosted sufficiently to assure a stepping up of the output of all three metals. No production figures are released by either government, but zinc production is believed to have been boosted 30% in the last four months, and the United States has agreed to take the entire output. It is also reported that the United States is quietly financing the construction of a new copper refinery in Mexico, and is preparing now to fulfill a promise to enlarge Mexico's steel-making capacity so that the country, after the war, will be less dependent on foreign supplies of simply-fabricated steel products.

As a result of the visit of Warren Lee Pierson, president of the Export-Import Bank, who was in Mexico during the first two weeks of this month, Mexico is expected to speed up its spending of the U. S. road loan in order to put the great Pan-American highway in first-class condition for heavy traffic as soon as possible. Fresh capital may also be provided for a number of industrial projects which will be planned now but will not get far beyond the blueprint stage until after the war.

• **Quid Pro Quo**—In return for economic assistance, Mexico is said to have agreed to relax the country's drastic labor laws, to stabilize existing tax rates, and to collaborate with the United States in maintaining freight rates at reasonable levels.

It was in connection with this last move that the negotiators for the two countries tackled one of the most ticklish problems of all. Mexico is in default on more than \$1,000,000,000 of foreign obligations, many of which were incurred at a time when the country was building its railroad system. No public mention of these defaults has been made by either government during the recent negotiations but in return for cooperation in the war effort, it is assumed that Washington is now prepared to rehabilitate the badly run-down Mexican railroads without first demanding a settlement of old obligations.

• **Wanted: Farm Workers**—Beyond this, Washington and Mexico City are still negotiating for the transfer of Mexican farm workers to the West Coast to replace the Japanese truck farmers who have been evacuated. In return, the United States may agree to send a limited number of technicians to Mexico at once to help supervise the rehabilitation of the oil fields, speed up mining output, increase refinery capacity, and cooperate in the building of a sounder transportation system.

This pattern of economic collaboration may well become the model for later deals which Washington is likely to push first with the small countries of Central America as a part of the defense of the Panama Canal and the Caribbean, later with the larger republics of South America.

MARKETING

Rover's Dry Ration

Leading dogfood makers now have their new dehydrated products in the stores. Next come marketing problems.

Rover isn't mad at anybody as long as they keep bringing him that daily bundle of nice, fresh meat and bones from the butcher shop. But his owner, who has to pay wartime meat prices—perhaps three times as much as formerly—is getting pretty tired of finding bare shelves at the grocery store where customarily half a dozen weekly cans of the favorite brand of dogfood could be swept into a shopping basket.

• **Advertising's Imprint**—Moreover, after years of reading the advertising which recommended that particular canned food as the one best subsistence for man's best friend, there lingers a doubt that the pet is currently getting a balanced diet—even at the higher cost.

Ever since tin for canning was forbidden to dogfood (BW-Mar. 7 '42, p34), makers have been experimenting like mad to find products and processes that would permit them to retain their hard-earned markets. For the first little while after Mar. 1, most of them merely prayed that their distributors' stocks would hold out—and kept their own courage up by assuring the public that presently their brand, in form even better than before, would be available on the grocer's shelves.

• **Now They're Different**—Last week Swift & Co., whose Pard showed in first place in Nielsen surveys in 1941, brought out its new product and began shipping from Chicago. John Morrell & Co., whose Red Heart ran Pard a close second in these figures, has been shipping its revised Red Heart for some time. Wilson & Co.'s "Victory Type" Ideal is also pretty well in distribution, as are other prominent brands.

Characteristic of all the new dogfoods, of course, is that they are dry (some are made dry, some mixed wet and then dehydrated). Thus their makers, of necessity, relinquish the outstanding advantage that they have had over dog biscuit and similar products ever since Chappell Bros. of Rockford, Ill., canned the first wet dogfood about 20 years ago.

• **Marketing Problem**—In essence, they are thus stepping over into the market that dry dogfoods have retained throughout the years. They are, willy-nilly, taking the chance that their sales and advertising momentum will carry them

through the transition period without loss of prestige, and regain for them the volume of business that they have necessarily lost during the weeks when even their most devoted customers have been unable to buy their products.

• **Dry Foods Do All Right**—Canned dogfood has long dominated the grocery shelves and thus has held public attention as the big seller. Actually, there have been dry dogfoods that maintained respectable volume with less promotion behind them. One of the makers of dry food, Gaines Food Co., Inc., of Sherburn, N. Y., claims to sell more feedings in a year than any of the canned brands—though at prices so much lower that the dollar volume is far below such leaders as Red Heart and Pard.

Toughest production problem that the canned-food manufacturers have had to overcome in their shift to dry form is appearance. Tendency of the food,

when dried by the more usual processes, is to end up as a dull-colored, mealy powder, perhaps containing a few lumps. When water is stirred into this, it becomes something that by human standards of taste is none too appetizing, however well Fido may like it.

Swift & Co.'s bid to avoid this disadvantage consists of putting the food through a meat grinder that turns it out in short, spaghetti-like pellets, then drying it by a low-temperature vacuum process that permits retaining this form. Their food holds a reddish brown color when dry.

Wilson and Swift have gone to 8-oz. packages of dry food, Morrell to 12-oz. Wet foods came in 1-lb. cans.

• **Packages Look the Same**—Pard and Red Heart are using cylindrical paper containers that simulate their old cans so completely that the casual shopper might not note a difference unless he saw the word "Dehydrated" on the label. Morrell says its package equals the old can in food value, Swift that its new product equals 1½ cans of wet food, and the products are recommended for

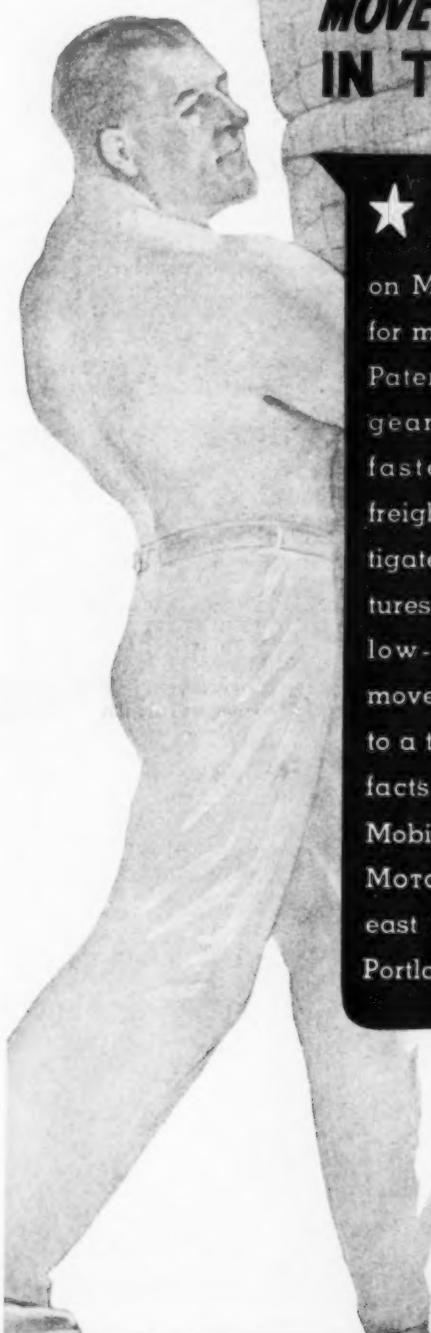


When Swift & Co. brought out its dehydrated dogfood last week, there was resumed the battle for first place between Pard (1941 canned-food champ) and Red Heart. Big-volume sellers, less known to grocery shelves

but old favorites at boarding kennels, are the older dry foods; Gaines brags it sells more feedings than any other dogfood brand. W. K. Kellogg Co. has a new entrant in Gro-Pup; Quaker Oats is warming up a contender.

MOBILIFT MODERN DESIGN

**MOVES GOODS FASTER
IN TIGHT PLACES**



When every inch of space counts . . . count on Mobilift's **MODERN DESIGN** for maximum performance. Patented clutch eliminates gear shifting. Maneuvers faster in narrow aisles, freight cars, trucks . . . Investigate Mobilift's **EXCLUSIVE** features. The **ORIGINAL** compact, low-priced lift truck that moves and stacks goods up to a ton. Write for additional facts and name of nearby Mobilift engineer. **VAUGHAN MOTOR COMPANY, 820 Southeast Main Street, Portland, Oregon.**



Moves materials like a Giant!

retail sale at two packages for the price formerly asked for three, which is usually in the neighborhood of 25¢.

Interesting development is that dog-food is suddenly attracting the makers of breakfast foods. Chappell Bros., once a big moneymaker but in recent years not doing so well, was purchased by Quaker Oats Co. shortly after tin was withdrawn from the industry. More recently, the W. K. Kellogg Co. has been sampling and selling Gro-Pup, recommended for feeding along with table scraps.

No. 1 Selling Job

To reach war-bond goal, Treasury has organized biggest marketing campaign in history, borrowing all the devices.

What happens to the sales of war bonds in the next two months will probably determine whether the U. S. keeps on with the voluntary subscription system or shifts to some form of compulsory savings. The Treasury, a staunch advocate of voluntary buying, has set itself a quota of \$1,000,000,000 for the month of July, which is almost double April sales. If it doesn't make the grade, compulsion looks like the only way out.

• **Toothpaste Tactics**—To reach its goal,

the Treasury has organized the biggest

selling campaign in history, borrowing

all the tricks that used to move breakfast

food and toothpaste.

To date, it has taken about 35,000 hours on the radio, spreading the time over 1,500,000 separate announcements or programs (in the case of networks each station is counted separately). Newspaper advertising runs about 6,000,000 lines a month. The news reel companies have distributed about 535,800 feet of bond-plugging film, most of it in one-minute shorts.

• **Payroll Deduction**—Backbone of the selling machinery is the payroll deduction system, which currently accounts for an estimated 65% of sales volume. The treasury reports that 76,330 firms, with about 19,987,000 employees throughout the country, now have deduction systems in operation. This means that 66% of the employees of private industry are "exposed" to them.

The payroll deduction campaign is handled by state chairmen who supervise regional and industrial units. About 108,000 of these committees are now in operation, and the program calls for a personal approach to every employer.

• **Eagerly Supported**—In most cases, firms are eager to install the system and want only advice on the mechanics of it.

Current sales look better than anything since last January, when the outbreak of war boosted purchases above

the \$1,000,000,000 mark. The first 18 business days of May ran 24% above the comparable April period, which indicates total sales for the month of about \$655,000. Actually they may run larger since cagy purchasers of the large value bonds wait until the end of the month to take advantage of the fact that bonds are dated as of the first of the month in which payment is made.

• **In Two Jumps**—The Treasury is hitching up toward the \$1,000,000,000 rate in two jumps, with a goal of \$600,000,000 for May and one of \$800,000,000 for June. On this basis, May sales promise to be well above the quota. New York, which accounts for 21% of the national quota, is running about 36% ahead of April and will probably come out substantially over the \$125,000,000 allotted to it.

Aid for Dealers

Murray-Patman Act authorizes RFC to bail out handlers of rationed goods, but in autos big fellows do the job themselves.

Before this war is over, many a single-line retailer may well see his inventory (and hence the bulk of his assets) frozen because of rationing. With bankruptcy staring him in the face, he'll rush to Washington, hoping that the government will thaw him out.

• **How to Get Boiled Out**—A couple of weeks ago the National Automobile Dealers Assn. was instrumental in paving the way for all those who will travel the same path in the future (BW—Apr. 25'42, p50). At N.A.D.A.'s request, Sen. James E. Murray and Rep. Wright Patman successfully introduced legislation enabling the Reconstruction Finance Corp. to buy or make loans on rationed commodities. Now the President has signed the bill, and it's the law of the land.

Theoretically, the Murray-Patman Act puts the RFC in the position of becoming one of the greatest wholesalers, and perhaps retailers, in the United States. That agency can, up to July 1, 1943, make loans or purchases on the basis of wholesale prices, plus transportation, storage, and similar expenses. After mid-1943, purchases and loans will be on the basis of "fair retail prices" plus allowances for standard expenses (BW—May 2'42, p5).

• **Doing RFC's Work**—For the immediate present, however, it looks as though the RFC won't attain the stature of a merchandising colossus over night—a fact that undoubtedly makes the RFC happy enough, since there's a limit even to the RFC's tremendous funds. Here's what is happening:

The minute the Murray-Patman Act

ARTERIES for PRODUCTION'S "LIFELOOD" made to order—fast!



GRINNELL provides the means for converting a *pile* of pipe into a piping *system* . . . a vital artery to furnish Power . . . Fire Protection . . . Heat . . . Fuel . . . Air . . . Water . . . Humidification in a plant, a ship, a tank or a plane.

Taking the OFFENSIVE against delays in production, Grinnell has stepped up its facilities to handle all requirements "whenever piping is involved" — *faster*. Included are pipe prefabrication for power and process lines, automatic sprinkler fire protection, cast and malleable iron fittings, pipe hangers for every condition, welding fittings, heating specialties and humidification systems. Grinnell Co., Inc., Executive Offices, Providence, R. I. Branch offices in principal cities of U. S. and Canada.

*Don't let
delays occur
— call upon*

GRINNELL

WHENEVER PIPING IS INVOLVED

Grinnell Company, Inc. • Grinnell Company of the Pacific • Grinnell Company of Canada, Ltd.
General Fire Extinguisher Company • American Moistening Company
Columbia Malleable Castings Corporation • The Ontario Malleable Iron Company, Ltd.



Here's a "freezing order" that went into effect in 1939! Over 3 years ago, the Lexington fixed its minimum rate, at \$4.00—and more than one-half the total number of rooms in the entire hotel are still available at that price... all outside with combination tub and shower, circulating ice-water, full-length mirror, four-station radio. Double rooms from \$5.50. "New York's Friendly Hotel."



Hotel Lexington
Charles E. Rochester, Vice-Pres. & Mng. Dir.
LEXINGTON AVE., AT 48th ST., N.Y.C.



Today's HANDS
make
Tomorrow's ARMS

The production capacity of the nation is turning toward the gigantic job of making ours the best equipped army in the world. Lewis Boxes can help! Yes, they can help by speeding up the handling of raw materials, small parts, small castings, etc. They can help by saving much needed space. Areas formerly occupied by temporary storage can be turned into active production areas. Lewis Boxes are about 90% wood—using strategic materials only where they are necessary to insure the proper functioning of the box.

If you are in war production and have a material or small parts handling problem—write today for complete information about Lewis Industrial Containers.

G. B. LEWIS CO., Dept. W5, Watertown, Wis.

LEWIS
INDUSTRIAL CONTAINERS

had Roosevelt's signature, the big auto dealers started buying up the stocks of their lesser competitors, thus bailing out the medium-sized dealers. Previously the big boys had been afraid to do this, fearing that such a move would only increase their own tragedy. But now that they are assured by law of getting their money out, if and when civilian purchases go to pot completely, they're doing the RFC's work before that agency actually gets started.

• **Finance Companies Come Back**—Furthermore, the finance companies, whose auto business has been all but ruined, also see a chance to stick an oar back into the familiar pond. In cooperation with RFC, they're currently working out a plan whereby dealers may secure loans on frozen stocks. Private financing agencies, of course, will show little hesitation in making money available because they know that the RFC is backing them up if they, in turn, have to be bailed out.

In short, a flow of new cars and trucks is now in progress from the little or medium-sized dealer who's quitting business into the hands of the super-dealer or distributor, who is willing to keep his shingle nailed up. And while this flow is going on, marketing activities have come back to a semblance of temporary normality, thus relieving the RFC of paying out any cash for the present.

• **Used-Car Ceiling**?—Still foggy, however, is the used-car outlook. In some areas the second-hand market continues to be a laggard. Therefore dealers want two kinds of relief: (1) RFC loans or purchases, and (2) a ceiling price guaranteeing a fair value in the event of such loans or purchases. But the headway on this problem has been awfully slow. Principal reason: Used cars are equivalent to white elephants unless some solution can be found to that stickler—the tire problem. Of course, even aside from the question of tires, the problem of fair valuation is no mean one, but OPA showed how this one could be licked in its monumental order setting ceiling prices on used mechanical refrigerators, listing a top price for every model for every maker year by year.

RECORD FOR A. & P.

Last week mighty A. & P. reported that 1941 was the biggest year (from the standpoint of sales) that the nation's biggest food chain ever had. Gross sales amounted to \$1,378,147,240, an increase of around 24% over 1940. Using Progressive Grocer's estimate of 1941 total food sales—\$12,800,000,000—as yardstick, A. & P. thus did 11% of the whole U. S. grocery business.

On the other hand, A. & P.'s net earnings dipped approximately 9%. Federal taxes took the biggest nick, increasing from \$7,100,000 in 1940 to \$11,900,000 last year.



HEEL OF THE DAY

Attached to a shoe, a new-type rubber heel, developed by B. F. Goodrich Co., belies its patriotic construction. A wood core permits a 28% saving in rubber over the conventional model, and eliminates the need of one-fifth ounce steel inset washers. The new wood-core heel can be made on standard heel-manufacturing machines and attached on present shoe-making machinery as well as by repairmen.

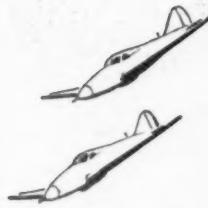
Food's War Worry

Grocery manufacturers weigh packaging, delivery, and advertising problems, but prices cause most concern.

Within the short space of six months, the food manufacturing industry—once regarded as almost immune to wartime ravages—has seen 200 grocery items go into limbo because there are no packaging materials for them. Canned pork and beans are fast fading into a memory (producers of this item alone annually consumed enough steel to fabricate two thousand 30-ton tanks). Cracker Jack makers are now concentrating production on cellophane-wrapped Army rations. Other processors similarly have forsaken their chosen fields, have even entered such foreign domains as airplane parts, screws, machine-gun sub-assemblies.

• **Unexpected Changes**—Nobody would have thought that in the few weeks since Pearl Harbor the industry that is to help fill the United Nations' immense breadbasket would experience such a revision in its ranks. Yet when the Associated Grocery Manufacturers of America last week assembled in Manhattan for their semi-annual meeting, government officials calmly warned that the changes are only beginning. What

Victory Lies in Air Control

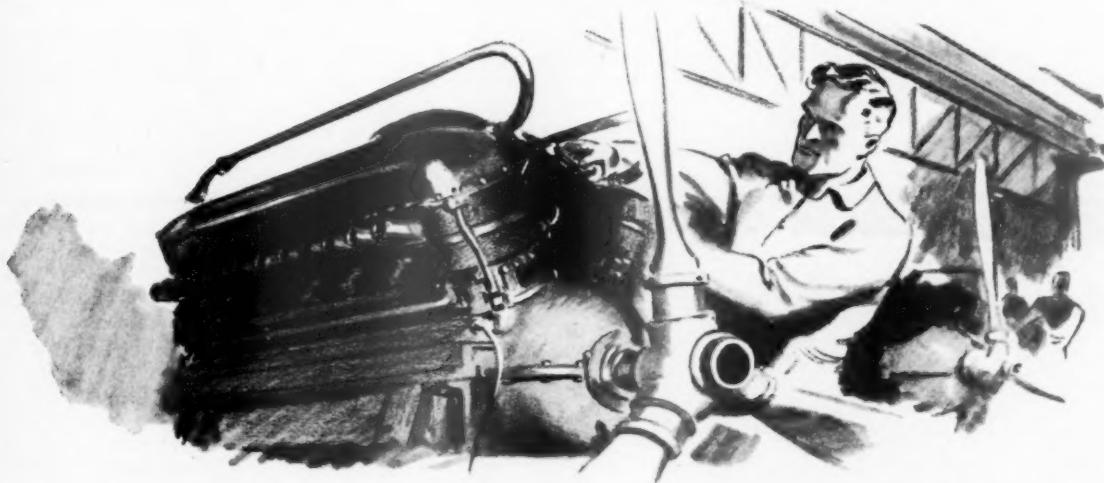


... not alone in the skies, but in laboratories, test rooms and throughout whole factories, *control of the air is vital to victory in this war!*

Engines that give swifter wings to planes . . . guns of deadlier accuracy . . . shells timed to a split-second . . . more and better steel . . . all these and many other munitions are pouring out of war plants because air conditioning makes possible greater precision, better control of production processes.

Health of workers is protected, productivity increased, when temperature and humidity are controlled. The modern "black-out plant," of course, is utterly dependent on its constant supply of conditioned air. Control of indoor air maintains the consistency of metals during process, keeps out dust and dirt, prevents corrosion of finely machined surfaces.

The air conditioning industry has perfected scores of special



applications to war production needs, where tools, processes and materials call for hairline accuracy in temperature and humidity. Penn, in its service to this industry, has developed highly specialized controls for this precise regulation. Our engineering and manufacturing facilities are being devoted fully to the support of vital production and to direct work for our armed forces. *Penn Electric Switch Co., Gosben, Indiana.*





Picture of a man melting TNT

How Taylor Automatic Control helps the Chemical Industry in Wartime

TNT is one of the most important high explosives used for bursting charges in military shells. A common method of shell filling is to heat the TNT (which resembles brown sugar at normal temperatures) to just above its melting point and pour it directly into the shell, or into a form of the required shape.

This sounds dangerously interesting to the layman, but it is a relatively simple process-control job compared to some of its preliminary stages such as the nitration of toluol.

THE MANUFACTURE OF TNT is typical of hundreds of operations where Taylor instruments are speeding production and improving quality for America's vital chemical industry. Whether the process involves melting, distillation, evaporation, or drying, Taylor Field Engineers can analyze the problem and specify the best instruments for the purpose.

THE DEVELOPMENT OF SYNTHETICS such as nylon, transparent plastics, and phenolic resins could hardly have been possible without the aid of indicating, recording,

and controlling instruments. The ethylene glycol that is the life-blood of liquid-cooled airplane engines depends on automatic temperature, flow, and pressure-controlling instruments for its production.

YOUR TAYLOR FIELD ENGINEER can help you improve quality and increase production. He can help you prevent waste, avoid accidents. He can help train your men in the operation and maintenance of essential Taylor instruments. With his years of training and experience, backed by the engineering and research facilities of the entire Taylor organization, he stands ready to help solve your problem. Call him in. Or write to us—and we'll send him to see you. Taylor Instrument Companies, Rochester, N. Y., and Toronto, Canada. Makers of the famous "Not 1 but 5" Fulscope Controllers.



Donald Nelson had told the A.G.M.A.'s skeptical members at the annual meeting in November (BW—Nov. 15 '41, p52) was pointedly repeated: Produce more with less equipment, fewer supplies.

Now convinced that casualties and hard times lie ahead of them, the no longer skeptical manufacturers quickly got down to brass tacks, and heard, talked, concluded the following:

New packaging specifications are coming for baking powder, cleansers, coffee, jams, jellies, preserves, tobacco. There'll be a growing trend toward the use of paper containers, but this trend won't evoke any sympathetic priority action on the part of WPB for the release of new machinery. Hence manufacturers who switch to paper must count on renting machinery from those with idle equipment. Up and down the line, inferior packages are a certainty, but we won't quite go back—so said one WPB official soothingly—to the cracker barrel.

• **Delivery Worries Ahead**—Although food men anticipate no serious shortage of rail and truck transportation, they will have to contend with a slowdown in deliveries. Freight trains are growing longer, thereby decreasing speed. The 79 intercoastal boats that used to ship 10,000,000 tons annually are now out of regular service, adding to the burden of the rails. Grain shipments have been barred from the Great Lakes (BW—May 16 '42, p17), thus further gumming up rail traffic. And imports can no longer be calculated with accuracy. For example, a Brazilian freighter, scheduled to land coffee in New York, may hurriedly dump its cargo in Galveston, which means that the buyer has to plot a long and unexpected land haul (often at high rates).

The effects of the Office of Defense Transportation's trucking restrictions (BW—May 2 '42, p54) have, of course, added to transportation perplexities, and at their meeting last week food men were also resigned to new freight car restrictions which would (1) bar the use of freight cars unless fully loaded, and (2) cut the allowable loading-unloading time by about 75%.

• **No. 1 Advertiser Despite Cuts**—With the virtual elimination of automobile advertising, food manufacturers have moved unequivocally into the No. 1 position, but expenditures are likely to fall off as OPA's price regulation causes a squeeze and as certain types of packaged foods depart from the normal market. According to an A.G.M.A. survey, 36% of responding manufacturers will operate on a smaller advertising budget, 36% will keep expenditures unchanged, and 28% will boost appropriations.

Undoubtedly the policy adopted by General Foods will serve as a model for the industry generally. In the coming year, G.F. announced that it would continue normal advertising activity for products which are plentiful; will cut

somewhat on products having partial restrictions; and will reduce budgets to a minimum for those products which are war casualties.

Cooperative advertising will be cut to the bone, and premiums and free deals are due to grow thinner. Among other things, trinkets for use as premiums are hard to get now.

Window and store displays, however, may see a renewed importance. For with the demise of 200 grocery items, a competitive struggle for empty display space is in the making.

• **The Pricing Problem** — Prices, of course, remain a paramount problem and one that is likely to become increasingly important as OPA implements its new policy of no money subsidies to those manufacturers who have been squeezed. To relieve severe pinches OPA now prefers to grant price boosts at the manufacturing level with distribution of the burden throughout the whole marketing system. That means, of course, cutting profits at the wholesale and retail (as well as the manufacturing) levels. Should profits fall so far that wholesalers and retailers will refuse to handle any particular type of merchandise, the Department of Agriculture then will have to step in and guarantee to buy the clogged merchandise in order to keep production from stalling.

This method has already been adopted with respect to canned vegetables (BW—May 23 '42, p66). It now appears to be the solution also contemplated for other lines.

• **Break for Nutrition** — Despite present alarms and worries, food manufacturers see one happy prospect: This war—unlike the last one, which left sour memories of sawdust flour and Johnny-cake—is creating vast future sales possibilities in the field of vitamins and better nutrition. Washington's conduct of the war effort has virtually become a living advertisement for more food, better food.

On the day before A.G.M.A. assembled, the Nutrition Foundation made its initial allotment of \$125,000 for research in the science of nutrition. Thirty-six grants, ranging from \$250 to \$7,000, were awarded to 22 universities for probing such topics as "Nutrition in Relation to Fatigue," "Optimum Conditions for the Conservation of Vitamins in Dehydrated Foods," "The Influence of Nutritional Factors on the Healing of Bone Fractures."

Seventeen major food firms are currently underwriting the Foundation (American Can, Beech-Nut, California Packing, Campbell Soup, Coca Cola, Continental Can, Corn Products Refining, General Foods, H. J. Heinz, Libby, McNeill & Libby, National Biscuit, National Dairy Products, Owens-Illinois Glass, Quaker Oats, Standard Brands, Swift, United Fruit). With a \$50,000 contribution from each, the treasury has \$850,000.

A "SEVEN-BLAZE" FIRE KILLED IN 15 SECONDS!

1 THE LOADING RACK of the "M" Oil Company accommodates 16 tank trucks which may be simultaneously loaded with gasoline through hoses.



2 AN OPEN DOME of a seven-dome tank truck was inspected with an unsafe flashlight by an attendant. An electrical spark flashed the dome into fire. Gasoline vapor from all six other open domes on the truck instantly blazed up.



3 A KIDDE WHEELED UNIT, containing 50 pounds of Kidde carbon dioxide under pressure, was rushed to the truck. Standing on the cab, the driver shot a blasting cloud of Kidde snow-and-gas along the tank top. In 15 seconds, all seven blazes were out. Loading of the truck continued.

DOES your company handle flammable liquids, operate electrical equipment? Guard these fire hazards with speedy, flame-killing Kidde carbon dioxide—the gas that harms nothing but fire!

Kidde portable extinguishers

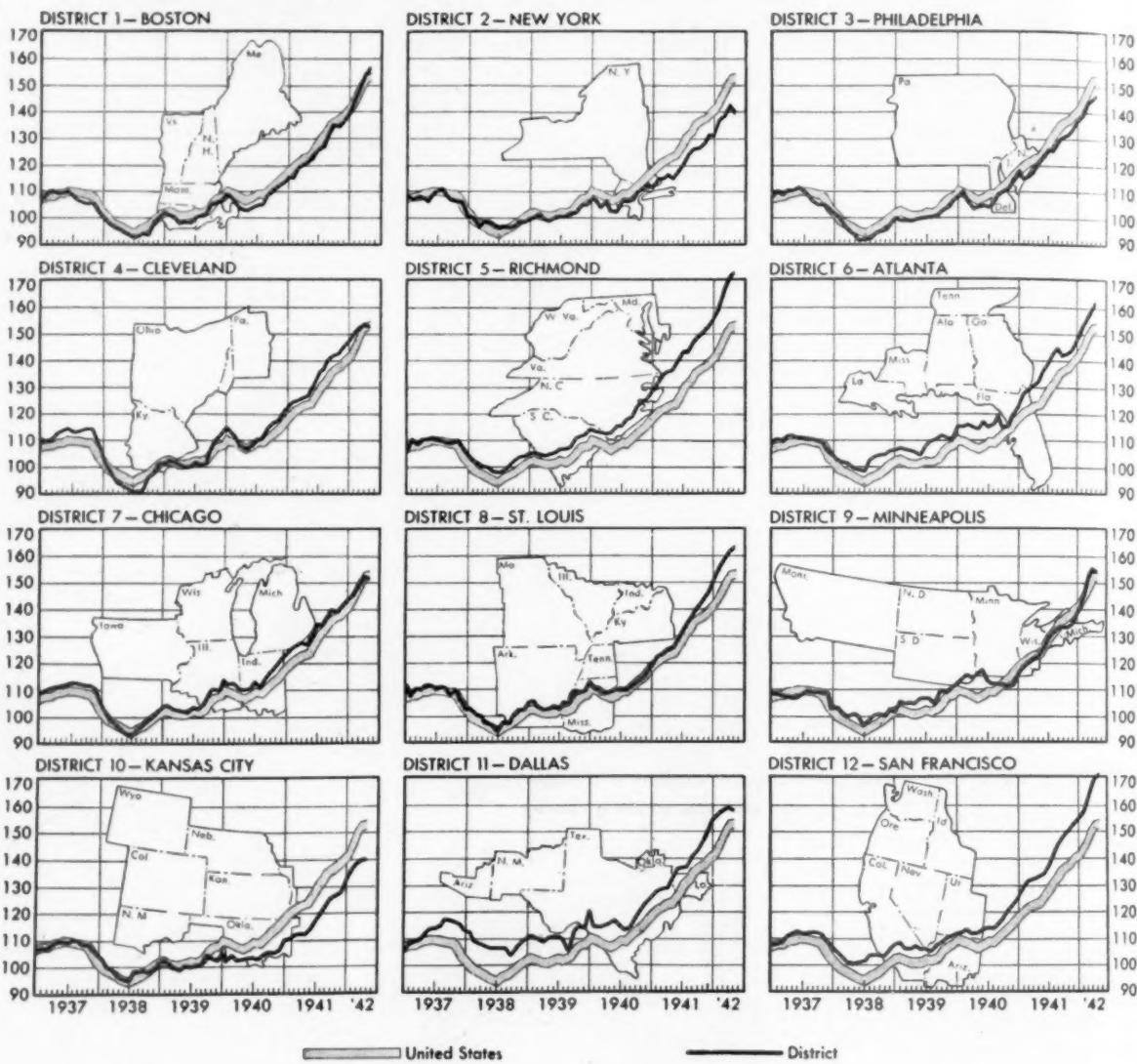
Kidde

range from a two-pound, pistol-type unit to wheeled types containing 100 pounds of carbon dioxide. Built-in types may be manually or automatically operated; may protect a single spot or an entire process room. Write us for complete details.

Walter Kidde & Company
Incorporated
525 West St., Bloomfield, N.J.

BUSINESS WEEK'S REGIONAL INCOME INDEXES

A month-by-month account of the trend of purchasing power in the country's 12 Federal Reserve Districts (1935-37 = 100, adjusted for seasonal)



THE FIGURES:

District	*April	†March	April, 1941	District	*April	†March	April, 1941
United States	154.2	154.0	125.1	United States	154.2	154.0	125.1
District 1—Boston	157.2	154.9	122.0	District 7—Chicago	152.0	152.3	127.4
District 2—New York	140.1	142.1	115.7	District 8—St. Louis	164.1	162.3	126.2
District 3—Philadelphia	147.3	145.9	121.8	District 9—Minneapolis	154.8	155.5	123.3
District 4—Cleveland	153.6	153.9	127.9	District 10—Kansas City	140.5	140.6	112.8
District 5—Richmond	172.7	171.2	136.4	District 11—Dallas	158.6	159.5	132.5
District 6—Atlanta	162.8	159.8	132.3	District 12—San Francisco	170.4	168.9	133.4

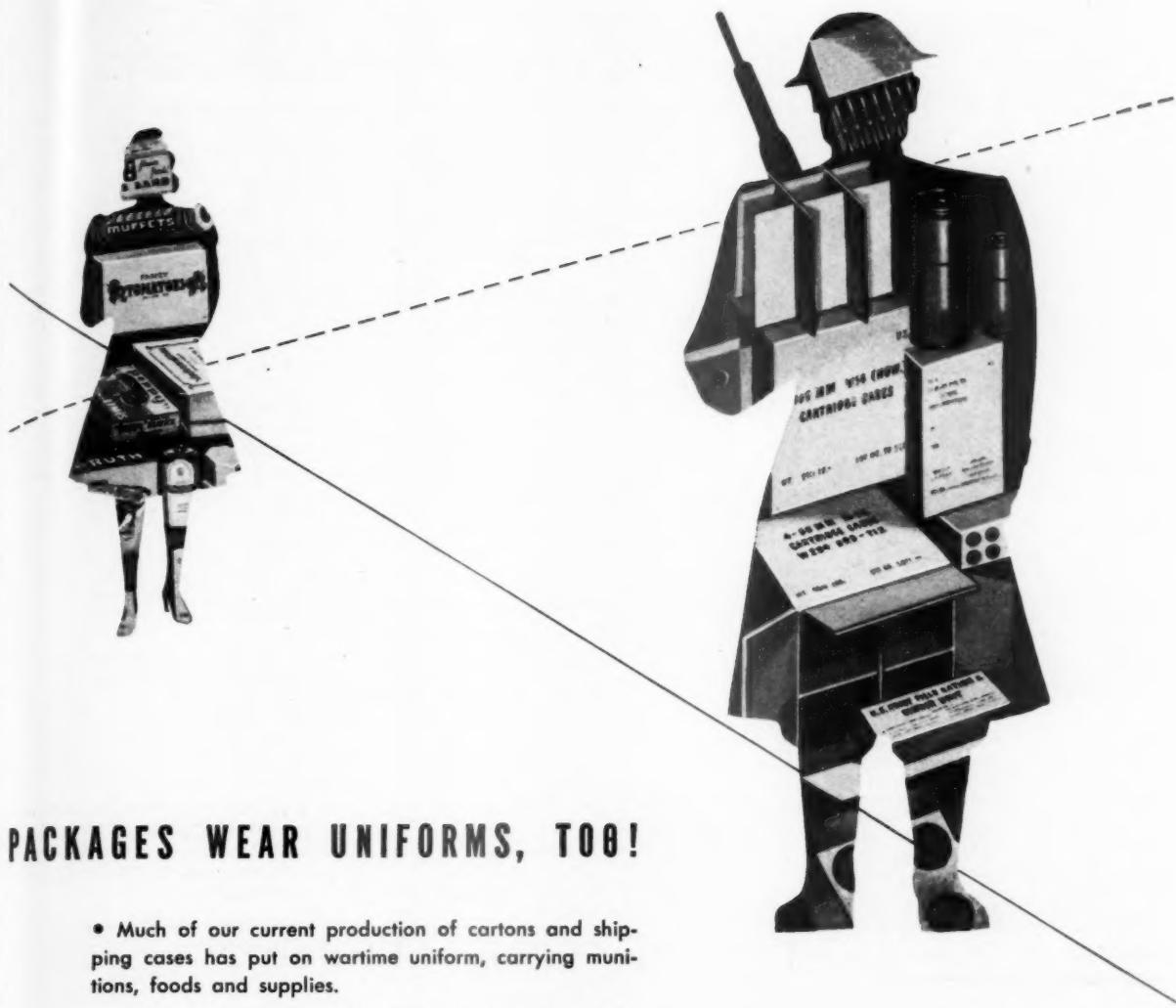
*Subject to revision.

†Revised.

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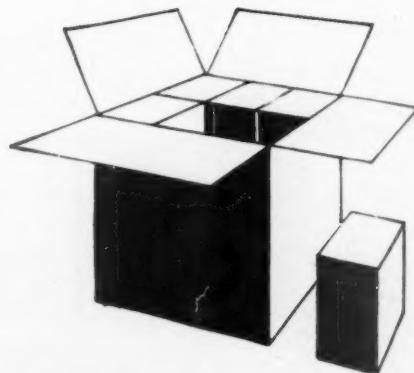
After twelve successive increases of at least 1 point a month, the national average of Business Week's Regional Income Indexes rose but 0.2 points from March to April. Six of the twelve indexes declined. New York was off 2 points; decreases in Cleveland, Chicago, Minneapolis,

Kansas City, and Dallas all ran less than 1.0. Other district indexes registered better-than-one-point gains, ranging from 1.4 points in Philadelphia up to 3 points in Atlanta. Since April, 1941, increases have run largest in Boston, Richmond, St. Louis, and San Francisco.



PACKAGES WEAR UNIFORMS, TOO!

- Much of our current production of cartons and shipping cases has put on wartime uniform, carrying munitions, foods and supplies.
- But much is still available to do the home-front job. We welcome the opportunity to show how well a carton can take the place of curtailed packaging materials. There are new limitations—necessary conservation, new cost, marketing and distribution factors. But the history of our carton business is the record of solving new problems . . . most things now packed in paperboard were once packed in something else!
- Thoroughly planned packaging—which we at Container Corporation have always stressed—is vital today. We'd like to help you plan the change to cartons—and find you a carton that will be the best package you have ever had. Our staff includes specialists in all aspects of packaging—they like to co-operate in finding the right carton for the job, the right board, design and lining for the carton. They're backed by the advantages of a completely integrated company, by plants and offices strategically located for service.
- Call or write our nearest office and arrange to discuss carton possibilities for your product.



CONTAINER CORPORATION OF AMERICA

Chicago, Ill., and 22 other strategically located cities

EVERYTHING PAPERBOARD FOR EVERYTHING PACKED

FOLDING CARTONS • BOXBOARDS • CORRUGATED AND SOLID-FIBRE SHIPPING CASES

To Train Operators
BETTER and FASTER

General Electric
PRESENTS

**The INSIDE of
ARC WELDING**

A NEW Training Film in Full
Color and Sound in 6 PARTS
Each Part 10 MINUTES and
Complete in Itself, 16 mm

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2. Flat position
3. Horizontal position
4. Alternating Current—
Flat and horizontal
5. Vertical position
6. Overhead position

HERE for the first time the basic principles of arc-welding technique are photographed in full color. These films show what actually happens in the arc and molten pool. Their unique, animated graphs simplify and speed training. They provide many of the advantages of individual instruction, even when used with very large classes.

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The Regional Market Outlook

BOSTON (Income Index—157.2; month ago—154.9; year ago—122.0)—New England war activity—shipbuilding, aircraft engines, small arms, machine tools, etc.—is now accelerating even faster than anticipated (BW—Apr. 4'42, p60). Not only are plants working longer, but sharp expansion is under way.

More than half the industrial floor space standing idle a year ago has already been put back into operation. Moreover,



ST. LOUIS (Income Index—164.1; month ago—162.3; year ago—126.2)—The spring farm outlook in this inland region continues generally favorable, but specific prospects vary. Milk and egg production in the district is up more sharply from 1941 than the nation's, and livestock marketings are running higher. Kentucky tobacco is in good shape, ready for transplanting, and acreage should be up to full allotments.

On the other hand, the winter wheat crop will be off some 40% from a year ago in Missouri and southern Illinois and Indiana. Too, southern fruit production has been hit hard by cold weather, and cotton growth has been slowed.

Industrial conditions also range widely. Heavy recent awards, for both raw-material and assembly plants, now promise renewed expansion in the Louisville area. War work is swiftly accelerating in and around this city as well as in towns between here and Louisville like Marion,

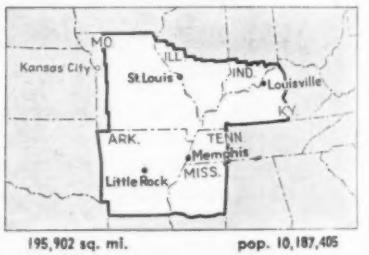
major new arms projects are scheduled for Willimantic and Southington, Conn., Longmeadow and Lowell, Mass., Providence, R. I., and South Portland, Me., each requiring several thousand new workers. Over 200,000 hirings for war industries are now expected by the year-end—15% of the current factory force.

Curtailment of civilian lines, of course, will cut into these gains. Effects of reduced wool, rubber, and leather imports are now being felt by the apparel trades, as well as the textile and finishing mills, shoe and carpet factories, etc. Layoffs have resulted in such towns as Lawrence, Worcester, and North Adams.

Metalworking lines—jewelry, typewriters, appliances, clocks, etc.—are converting to war work for the most part, but dislocations in the process are inevitable. Another partial war casualty, because of gasoline rationing, is New England's summer tourist trade—a \$40,000,000 business in Vermont alone.

Paducah, Evansville, Henderson, etc., around Memphis, and all through the state of Arkansas. But arms contracts and military projects have been limited in the rest of the district—northern Mississippi, southern Kentucky, and rural Missouri outside St. Louis.

All in all, war-work areas are likely to lead in income gains over coming months. But favorable autumn harvests, particularly of cotton in the South, will boost rural sales rankings.



DALLAS (Income Index—158.6; month ago—159.5; year ago—132.5)—Heavy rains have seriously held up cotton planting in the eastern half of this Reserve district, and income prospects have deteriorated. Planting has usually been completed and chopping begun by this date and the delay increases the danger of insect infestation. Indeed, the boll weevil and leaf worm are out earlier and in greater force than usual.

Western pastures and ranges are in



good condition. The Panhandle's winter wheat crop will be up 65% from 1941, and sheep shearing in southwest Texas and New Mexico is yielding high returns. District farm receipts are up sharply, especially from eggs, cattle, milk, etc., and now are running at twice last year's levels in northwest Texas, around Dallas, and along the Gulf Coast. AAA benefits, however, are off.

Industrial activity is quickening, especially in new war plants in the eastern half of the district. Construction, despite the current decline, is due to perk up soon. The oil industry, however, faces steeper curtailment, if gasoline rationing goes nation-wide. In East Texas the 50% drop in crude output may offset gains in war work, but along the Gulf Coast the \$100,000,000 expansion of aviation gasoline facilities, awards for synthetic rubber plants, and other arms activity will continue to push payrolls to new highs.

Break for Glass

Container makers expect to hold much of war-gained business. Lightweight construction increases industry's potential.

Glass container manufacturers were long stymied in competing against other widely used materials for packaging products of low intrinsic value. Now, with a lot of such business dumped in their laps by wartime restrictions, the glass people are doing their best to win the housewife's postwar allegiance.

• **To Have and to Hold**—Nobody yet knows what share of the food pack can be held in glass when metal is again plentiful. Realistic appraisal makes the glass men believe they will keep a good deal of coffee business because the air seal is restored when the jar top is replaced. They also think syrup in bottles for use on the table is a natural which they can hardly lose. On standard-size containers, they say their costs are comparable, and they intend to slug it out with tin, toe to toe.

Owens-Illinois Glass Co. expects that by this week its laboratories will put their final O.K. on a slip-under cap which permits resealing and consequent home reuse of glass obtained as the package for ordinary grocery shelf items.

• **U. S. Approval Needed**—The only obstacle that will then remain is federal approval of using the smidgin of rubber required in this closure. Owens-Illinois expects to get the nod from Washington because the slip-under seal takes far less rubber* than a conventional fruit-jar ring.

Lightweight construction as ordered by Washington recently is expected to yield 90,000,000 gross of containers in 1942 from the same tonnage of materials that produced 68,000,000 gross in 1941. Fancy shapes have gone out the window in favor of round, conventional containers. The industry has standardized on ten sizes, from 3 $\frac{3}{8}$ oz. (1 qt. of hot vinegar) down to 9 $\frac{1}{2}$ oz. (4 pt. of peanut butter).

• **Less Brittle Glass**—What makes lightweight containers feasible is that glass manufacturers have learned how to make stronger, less brittle glass. An important contribution to this improvement is use of electrically weighed ingredients in powdered form, instead of yesteryear's hit-or-miss proportions of lumpy materials.

Milk bottles made with Duraglas, the Owens-Illinois trademarked lightweight material, weigh 24 $\frac{1}{2}$ percent less than the old-fashioned bottle and average 45 percent more round trips before they finally become unusable.



C onvoys can't start . . . with

materiel missing! Laggard letters let production down! . . . These days, thousands of Postage Meters speed up mail, and mailing . . . expedite orders, bills of lading, blueprints, parts and pieces . . . supply postage for one-fifth of all U. S. Mail! . . . Pitney-Bowes Postage Meters *print* postage, seal envelopes; handle parcel post, save time in the office . . .

Metered mail saves time in the postoffice, too; skips three operations, gets mail on its way sooner. Make the most of your Meter . . .

Mail early and often . . . to help the postal service help you!

Pitney-Bowes POSTAGE METER CO.

Branches in principal cities. Cf. phone directory.
In Canada: Canadian Postage Meters, Ltd.

1445 Pacific St., Stamford, Conn.



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taking on more work,
bigger responsibilities,
as war needs cut into
business
personnel?

Many men are facing a sudden need to take hold of added executive problems and duties, as people in their offices are called to government services. Here are books to help you in meeting this situation—giving quick access to fundamentals and practices that promote executive efficiency.



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THE books in it cover the elements and methods of management most needed in executive approach to business. Use it for immediate help in specific problems, small and large—also, to master the patterns underlying methods, to get the knowledge of all business you need quickly now.

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- correspondence on a more economical and effective basis.
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BW-5-30-42

PRODUCTION

It's Done with Gas

Concern over the supply of cylinders focuses attention on vital role of oxygen and the acetylenes in the war effort.

"Return Empty Oxygen and Acetylene Cylinders Promptly."

"Don't Abuse Cylinders."

"Idle Cylinders Are Production Slackers!"

Such slogans, if the major producers of oxygen and acetylene gases have their way, will be on every bulletin board in every war production shop and shipyard in the country within the next few weeks. Gas consumption in the all-out production of ships, tanks, planes, guns, and shells continues to skyrocket. Lack of enough of the steel cylinders which transport gas from the producer to the production line could ultimately result in too little ammunition on the firing line.

● **Demand Shoots Up**—Available statistics give no adequate idea of how the demand for oxygen—which rose from 4,500,000,000 cu. ft. in 1939 to more than 7,000,000,000 cu. ft. last year—has skyrocketed in the last six months. Tank construction has recently shifted from riveted to welded construction, entailing new gas demands for flame-cutting armor plate and preparing its edges for electric welding.

Cargo ship construction was at the rate of 800,000 gross tons last year. This year the ship schedule calls for a 900% increase to 8,000,000 tons, and it is fairly common knowledge that each 10,000-tonner requires large but unmentionable footages of oxygen and acetylene (in ratios of about 3:1) for

the heating, bending, cutting, shaping, straightening, and cleaning (before painting) of its hull, innards, and superstructure.

● **A Vital Factor**—Keeping all the war industries supplied with a steady flow of gas is quite as important from a production standpoint as a continuous and unimpeded supply of steel, aluminum, and other vital metals.

Months ago, the two leading industrial gas producers (Air Reduction Co. and Union Carbide's Linde Air Products Co. together account for well over half of all acetylene and oxygen produced) shifted their sales forces from sales to conservation campaigns among their customers. Purpose is to eliminate wasteful shop practices and to promote more rapid "turnover" of cylinders by smaller, more frequent orders, thus making for reduction of reserve cylinders and for the prompter return of empties.

● **Showing Them How**—Many gas salesmen donned overalls and went into the shop to show welders and flame-cutters how to use proper sizes of tips (a No. 1 tip used instead of a No. 1 for cutting $\frac{1}{2}$ -in. steel plate consumes 10-20% more oxygen, 16% more acetylene without speeding the job materially), how to avoid the use of excessive and wasteful pressures, and how to clean and maintain their equipment for more efficient operation.

Once shown the need, and the reasons why, the boys in the shops were more than glad to cooperate with the conservation program—by closing cylinder valves when torches were not in use, by checking hoses and connections for leaks, by using short lengths and correct diameters of hose (unnecessarily long or too small hose requires higher gas pressure to secure sufficient gas flow, causing unnecessary strain and promot-



Several oxygen trailers are serviced by a single tractor. When a trailer load of the gas is exhausted, in comes a tractor with a fresh one, connects it to

a war plant's own pipe line, hauls the empty away for refilling. Air Reduction Co.'s trailers vary in carrying capacity from 10,000 to 40,000 cu. ft.

MANY LARGE COMPANIES ARE NOW TAKING A CENSUS OF EMPLOYEES' CARS AS PART OF NATION'S PROGRAM TO GET 40,000,000 WORKERS TO THEIR JOBS ON TIME

VOLUNTARY TRANSPORTATION COMMITTEES TO ROUTE FULL CARS TO WORK ARE SET UP BY PLANT EMPLOYEES IN EACH COMMUNITY

The problem of getting 40,000,000 workers to their jobs is being taken over by America's car owners. Neighbors are already doubling up to go shopping, to take children to school, to go to work... *but not enough of them!* Your company and your employees can cooperate by taking a census of workers' cars. Here's how you can do it in your community: (1) Fill out cards, like the one shown here, (2) Sort cards by residential districts, (3) Select sectional committees to act as traffic control groups for each district to assure equitable use of cars, (4) Route full cars to work on every shift. Details can be worked out quickly by you... your workers... your community. The important thing is to start today to get every last mile of use from our cars, our gas, our tires!

Make a map like the one above, on which to chart the routes for each residential district. Dots indicate workers' homes; circles indicate workers with cars.

This card is a sample guide. Make changes to suit your needs. Reprint or copy form or filing cards for each worker to fill out and turn in to your Transportation Committee.



Trolleys can't do it **ALONE**. Even with staggered work hours to level off transportation peaks there aren't enough trolleys to take America's millions to work.



Buses can't do it **ALONE**. They're already taxed to their full seating capacity. And enough vital steel and rubber can't be spared to build enough new buses.

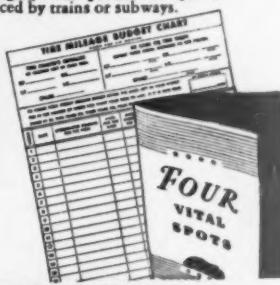


Trains can't do it **ALONE**. Although every railroad is cooperating 100%, many of America's mighty war production plants can't be serviced by trains or subways.

HOW TO CONSERVE MECHANICAL RUBBER GOODS
This 48-page book is for managers, engineers and plant operating men. It shows how you can conserve rubber through proper handling, installation and care of rubber conveyor, elevator and transmission belts; all types of industrial hose; packings; linings; rolls; mounts; and other mechanical rubber goods; and electrical wires, cables, and tapes. For free copy, write directly to Mechanical Goods Division, United States Rubber Company.



GET FREE MILEAGE BUDGET CHARTS
and copies of this free 32-page book on tire care from your local U. S. Tire Dealer or write direct to the United States Rubber Company. Hundreds of thousands of these charts and books are already in the hands of American car owners — helping to save tires, gas and oil.



IN AMERICA'S FIGHT FOR LIFE, EVERY TIRE-MILE MUST BE SAVED FOR ESSENTIAL DRIVING

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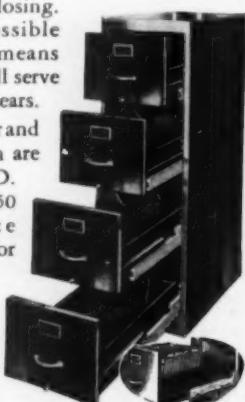
THE WARTIME FILE

Here's an economical, practical answer to your filing problems "for the duration" and long after. A full suspension, composite wood filing cabinet with over 96" of clear filing space. Metal is practically eliminated.

Designed by Horder's, the Forty-Niner filing cabinet, finished in smooth olive green, matches steel equipment you may wish to expand.

Drawers are mounted on full wood suspension with 40 fibre rollers for free, easy opening and closing. Strongest possible construction means that this file will serve for years and years.

Made in letter and legal size; both are 52 $\frac{1}{4}$ " H x 27" D. Letter size \$37.50 — Legal size \$40.50. Write for literature.



ORDER
FROM
HORDER

Headquarters for Office Supplies

HORDER'S, Inc.

8 CHICAGO STORES

All Phones FRA. 6780 • Mail Orders 231 S. Jefferson St.

ing hose leakage), and by using all the gas in each cylinder before connecting a new one.

• **Other Measures**—In the larger shops, it was shown how interruptions of work to change cylinders could be eliminated by manifolding several cylinders in one battery, or by installing pipe lines from a central gas distribution station.

Some of the salesmen were given the specific job of going to small communities to induce welders and other users of compressed gas to pool their requirements, designating one of them to do all the welding for the shops of the neighborhood and releasing many cylinders for war production. Other salesmen undertook similar arrangements in the various industrial neighborhoods of large cities. No one knows how many cylinders were released, but they run into the tens of thousands.

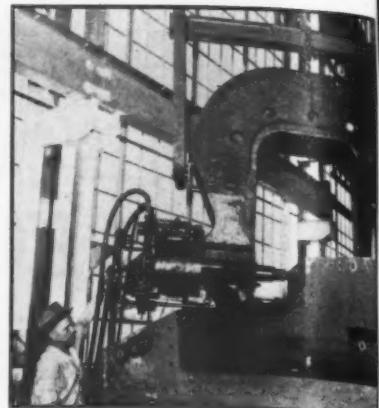
• **Help from the ICC**—In April, the Interstate Commerce Commission approved the shipment of cylinders containing certain compressed gases, including oxygen, at a pressure of 2,200 lb. per sq. in. Since this is an increase of 10% over the previous allowable pressure of 2,000 lb., the immediate result is not only a jump of 220 to 242 cu. ft. of gas per cylinder, but in effect 10% overnight growth in the cylinder capacity of the country. Even at the increased pressure, there is an ample margin of safety, because each cylinder is tested periodically to withstand 3,360 lb. of hydrostatic pressure.

Fortunately for large-scale industry like steel making and shipbuilding, the supplies of oxygen and acetylene are not wholly dependent upon the availability of 242-cu. ft. cylinders.

• **Fleets of Trailers**—Air Reduction has fleets of trailers in strategic locations, each equipped with still larger oxygen cylinders connected in multiple to a single outlet. The trailers, various sizes of which carry loads of 10,000, 20,000, and 40,000 cu. ft. at a whack, are hauled by truck, unhitched, and connected directly to the gas pipe system of the mill or yard. When all the gas is used, a freshly filled trailer replaces the first.

Instead of trailers carrying compressed oxygen, Linde Air Products has its own system of hauling liquid oxygen in huge tank trucks which are insulated against heat, after the manner of a thermal bottle, to keep the gas in liquid form at a temperature of minus 300 F. or so. The mills and yards using this service are equipped with thermal-insulated containers and converters for changing liquid oxygen into gaseous form. Since 1 cu. ft. of liquid expands into 868 cu. ft. of gas at atmospheric pressure, a single 500-cu. ft. tank truck can deliver over 400,000 cu. ft. of gas at working pressures.

• **Making Own Acetylene**—Large users of acetylene, and many small ones, frequently get around the use of cylinders



FOR SALE—CHEAP

After little more than a year of service stitching together the armor plate of M-3 tanks in the Chrysler plant, this big, practically new riveting machine has become temporarily disemployed by the swing to the newer M-4 welded tank. Now the riveter will be sold with several others to any shipyard, structural shop, or other war industry that might need immediate delivery.

by purchasing calcium carbide in granular form, taking water from the tap, and making their own gas for heating and welding in acetylene generators of various sizes. Hence, there is considerably less cry for acetylene cylinders than for oxygen containers. Both gases, however, are essential in most war production work, for it is the combined oxyacetylene flame that heats steel to the point where it will burn in a gaseous spray of pure oxygen.

From the moment that steel is stripped from its ingot molds, the two gases begin to speed its production. Formerly it was allowed to cool so that chippers could come close enough with their pneumatic chisels to gouge out surface cracks and remove surface slag before reheating and rolling into billets. Modern practice runs a hot ingot through an automatic flame scorching machine which burns off the imperfections on all four sides and lets it slide directly into the billet rolling operation.

• **Flame-Cleaning of Billets**—In like manner, billets can be flame-cleaned (without an intermediate cooling) before rolling into slabs or other shapes, but most mills cool and store their billets as a "cushion" between operations, reheating them when it comes time to flame-clean them and send them on their way. Since it sometimes takes a week or ten days to reheat an ingot by "soaking," it can easily be seen how the production of steel has been speeded through its ability to burn in an oxygen atmosphere.

Oxygen lances tap and control the

flow of iron from blast furnaces and of steel from open hearths. Flame cutters trim shapes out of armor plate a foot thick (some of the workers call the shapes "cookies") as if they were so much wood or dough.

• **Cutting the Cookies**—Piles of steel plates are put into an automatic flame-cutting machine and several identical cookies cut at a crack, all following the outline of a master pattern. One shipyard is said to be putting into operation an automatic cutter with 18 separate cutting tips working at once on various portions of single large cookies.

The size of a flame-cut cookie can be anything from one of the little steel bracing gussets used in shipbuilding to a huge plate for a ship's hull. If the ship is to be of all-welded construction, gas flames not only cut the plates to shape, but put bevels on their edges suitable for joining them by electric welding. If the ship is to be riveted, many yards flame-cut parts to size, although most yards rigged for riveting continue to cut plates with power shears and finish their edges with giant planers.

• **Rival Arts Utilized**—It is one of the phenomena of war production that each of three competitive arts—electric welding, gas welding, riveting—are finding



*Cockpit over Tokyo . . .

By utilizing "Black Light" the United Nations night-flying combat pilot is able to read his instruments in the dark. With no tell-tale light to cause glare and eye fatigue . . . or betray him to enemy planes . . . his cockpit is in total darkness. Yet the pilot sees his instruments as clearly at night as during the day.

Black or ultra-violet light is invisible to the human eye. It illuminates nothing except surfaces coated with fluorescent inks . . . in this case calibrations and needles on indicator dials.

The electronic equipment used for producing Black Light operates on converted current supplied by a vibrator. In this unit vital spring strips subjected to condensation, heat, and rapid vibration must retain their original adjustment of less than one half-thousandth of an inch.

Monel's ability to meet this requirement was proved before the war, in similar vibrators used in auto radios

and other applications. By changing to Monel the manufacturer cut down rejections by 91%, increased average life of vibrators from 1,000 to 5,000 hours.

In important military applications on many fronts . . . from "tremendous trifles" like spring strips above, to heavy parts of guns and ships . . . INCO Nickel Alloys are helping equip our armed forces. For vessels of the Navy, mechanical and chemical equipment for the Army, vital parts of Aircraft, and for Chemical, Petroleum, Steel and other essential industries, every pound of Nickel, Monel and Inconel expanded facilities can produce is urgently needed.

*The information in this advertisement is published by permission of the War Department.

THE INTERNATIONAL NICKEL COMPANY, INC. • 67 Wall Street, New York, N.Y.

★ ★ **INCO NICKEL ALLOYS** ★ ★

MONEL • "K" MONEL • "S" MONEL • "R" MONEL • "KR" MONEL • INCONEL • NICKEL • "Z" NICKEL
Sheet...Strip...Rod...Tubing...Wire...Castings



HEAT-FAG is directly responsible for many Accidents STOP THIS COSTLY TOLL!

The finger of Accident is always beckoning to the fatigued, inalert worker. That's why Heat-Fag, ever-present when men sweat, takes such a staggering toll in man-hours lost to industry. For, body salt lost by sweating must be replaced or Heat-Fag sets in. Lowered efficiency, fatigue and discomfort follow . . . workers become careless . . . accidents happen . . . priceless man-hours are sacrificed.

AVOID HEAT-FAG—USE
MORTON'S
SALT TABLETS



QUICK DISSOLVING
(less than 30 seconds)
This is how a Morton Salt Tablet looks when magnified. Examine one—see how soft and porous it is inside. When swallowed whole—with a drink of water, they dissolve in less than 30 sec.

ORDER NOW!

Order from your distributor
or directly from this advertisement.

Case of 9000 Salt Tablets **\$2.60**
Salt-Dextrose Tablets **\$3.15**
Case of 9000

DISPENSERS

500-tablet size \$3.25
1000-tablet size \$4.00

EVERYONE WHO SWEATS NEEDS SALT



MORTON SALT COMPANY, CHICAGO

their logical places in the program, but with a shift in emphasis. Though a lot of gas is used for welding ship plates, pipe lines, and light gage metals, as in cartridge cases and landing gears for planes, much more is being consumed in flame cleaning, cutting, etc.

Electric welding joins ship plates and framing into huge subassemblies of bow, stern, superstructure, and intermediate sections. When the subassemblies join each other for complete assembly on the ways, rivets either bind them together permanently or hold them until they can be welded. When it comes time to paint the ship, it is gone over with broom-like oxyacetylene flames to burn off all slag and old paint, and to dehydrate the surface preparatory to the actual painting operation.

• **And in Other Jobs**—As in ships, so in the manufacture of tanks, planes, guns, shells, and the machinery that produces them. Steel shapes forming the bases and parts of various machines are cut to within small fractions of an inch of final form. If gears and sprockets and other parts require heat treatment, they are frequently flame-hardened. So accurate is the work that many production men foresee the time when the oxyacetylene flame will take over many more of the rougher operations now performed by machine tools.

And some steelmakers believe they foresee the day when pure oxygen will take over the job of compressed air in blast furnace, converter, and open hearth. They point out that it takes a lot of equipment to use air for its 20% content of oxygen.



RADIO DOOR CONTROL

When Barber-Colman Co. brought out a radio gadget with which motorists can open their garage doors without budging from their seats, there was no thought of its application as a war-time antisabotage device. Yet here it is on a shop truck—both for safety and for speed in opening and closing doors.

already serviced by utilities; (2) units are to be built to suit requirements when and where needed; (3) houses costing less than \$2,000 will be located near existing transportation lines or, if possible, within walking distance of war industries; (4) distribution of housing over the entire city, instead of concentration on a large plot of newly-acquired land, will help to equalize the strain on bus and street car lines; (5) the plan is sufficiently flexible to allow participation of even the smallest builder.

• **Building in Clusters**—Cecil M. Gartrell, head of the Portland Housing Authority, says that houses will cost between \$1,400 and \$1,700 and will be located in "clusters" of from four to 50. The land must have water, sewage facilities, and electricity, but street paving and sidewalks are not necessary because the plan calls for gravel streets and driveways.

Most building restrictions have been waived by both Portland and Seattle so the projects won't run into many snags on that score.

Leases are being drawn for a period of five years with an option for renewal, or for the duration of the emergency. City property will be leased for the nominal rental of \$1 per year plus the value of the site improvements when the house is removed. Site improvements will include gravel driveway and paths, grading, water and sewer connections, lawn and shrubbery, at an estimated cost of \$150 per lot. Whether

Ten-Day Houses

Speed of erection and low cost are among features of new dwellings being built for war workers in Portland, Seattle.

Western cities faced with the job of providing speedy, economical housing facilities for an influx of war workers are watching closely an effort in two Pacific Northwest communities, Portland and Seattle. These projects have several interesting features, not the least of which is the fact that they are a joint undertaking of private realtors, the Federal Housing Administration and the two municipalities.

• **Double Quick Construction**—The enterprise got under way early this month in Portland when bids were opened on 14 "temporary low-cost housing units," the first of 900 to be built under the joint plan. Schedules on the initial bid called for a half-dozen of the houses to be completed within a fortnight.

Features of these jobs include: (1) the houses are being erected on lots

the land is city, county, or privately owned, taxes on the land and improvements will be paid, at a normal rate, from the monthly rental.

• **Five Hundred a Month**—Several basic plans have been developed for semi-fabricated units as well as for units to be built on the spot. Each provides for use of alternative materials. Portland builders and prefabricators are equipped to produce the houses at the rate of 500 a month.

Prefabricated units will be made of 40-inch plywood panels, factory-primed and resin-bonded, which can fit any floor plan. A built-on-the-spot unit will make use of board and batten exteriors, plywood interiors with board partitions, and an inexpensive composition or shingle roof.

The houses won't have basements but will stand on concrete piers. Bathrooms will have showers only. First Portland units will be heated by manufactured gas. Sponsors of the plan figure each house should yield about \$200 worth of materials after five years (mainly plumbing equipment, electric wiring, etc.).

Unclogs Oil Wells

Californian develops explosive strip to do work of clearing out perforations without damage to steel casing.

An oil well's drop in production may be caused by clogging of the perforated steel pipe that lines the well. Ford Alexander, explosives expert of Whittier, Calif., was convinced that 75% of the perforations in old wells were clogged, that opening them up would increase the flow, and that thus, without new drilling and without new steel, war production could be increased quickly.

• **New Method Developed**—In the past, oil well perforations have been cleaned by mechanical methods akin to the plumber's suction plunger for cleaning a drain pipe, but the method is laborious, slow, not always certain.

Alexander has developed a special explosive to do this work. It is a compound of fulminate of mercury, TNT, and tetryl, made in an endless strip, resembling dynamite fuse. One foot or 10,000 ft. of this fuse can be lowered into a well, according to the oil zones to be treated. When fired by detonation at the upper end, it gives an explosion of calculated high intensity sufficient to clear all clogged perforations yet incapable of doing damage to the steel casing.

• **Effective in Heavy Oils**—It is particularly effective in heavy oils which clog perforations most—and heavy oil is the crude that Uncle Sam needs most for war. The explosive material is not patented, but the methods of using it are

"Stretch" Buckets?



...Who Said You Can't?

There's nothing like War effort to prove how equipment can be "stretched"—to go farther and last longer—when repair parts are hard to get and new units are not available.

"STRETCHING a bucket" becomes literal in quarrying and construction work, where the proper use of explosives helps steam shovel buckets to take bigger bites with every swing of the boom. Atlas Technical men are cooperating with miners, quarrymen, contractors, lumbermen—showing how shovels and loaders, bulldozers and crushers can do more work with less effort when better blasting smooths the way. This is just one way in which Atlas products and Atlas methods are helping to make production equipment more effective.

In sugar production, Darco activated carbon makes it possible for refiners to produce more sugar with existing refinery equipment. Another type of Darco carbon enables dry cleaners to meet increased demands, despite a widespread solvent shortage. Processing chemicals made by Atlas increase both the usefulness and the effective life of many chemical products.

Cooperation with customers in "stretching the bucket," is very much in the wartime Atlas picture.

Atlas, like many other companies, has enlisted for the duration. The road ahead is a tough one. But persistence, understanding, and cooperation have overcome obstacles before. We believe they can do it again.

ATLAS POWDER COMPANY, WILMINGTON, DELAWARE
Offices in Principal Cities

 The **ATLAS** *Family*
DARCO — ATLAS — ZAPON — KERATOL

Explosives • Chemicals
Coated Fabrics • Finishes
Activated Carbons

This advertisement appeared in:
NEW YORK TIMES
CLEVELAND PLAIN DEALER
DETROIT FREE PRESS
CHICAGO TRIBUNE
WASHINGTON POST
PHILADELPHIA BULLETIN
NEW YORK HERALD-TRIBUNE

Today's Sweat is Tomorrow's Victory

Behind the news of today's battles, the most amazing chapter in the whole history of mankind is taking shape.

When the chapter is ended, these battles will have become skirmishes on the road to victory . . . and men of business, labor and Washington will have licked the inventors of mechanized warfare at their own game.

The first paragraphs in the war news of the future are beginning to appear, in the production reports of America's brand-new war industries.

Tanks, planes, guns, bombs are pouring from factories that were making locomotives, autos, ladies' handbags until Pearl Harbor Sunday.

One of the most dramatic stories in the history of our

times will be the production record of a cross-bred vehicle of destruction.

Half locomotive, half automobile, this cross-breed is the world's toughest, most agile and viciously efficient tank.

But the historical potency of the newly born American tank lies not so much in its ability to take and dish out punishment, as in the amazing fertility of the production lines from which it springs.

As we contemplate the industrial miracle of this rapid union of two different manufacturing methods, there are important lessons to be drawn:

► Compressed within the short space of a few months, we have seen a gigantic and vivid demonstration of the interdependence of industry.

This aspect of industry is not so apparent in peace-time.

War gives business executives, and governmental officials, an added opportunity to study these relationships in sharp relief.

American industry is not like that of any other nation. It is more highly specialized. Therefore it is more sensitive to the technical disruptions of war production, as well as to economic and social stresses.

Another fundamental difference between American industry and other industrial systems has been highlighted by war:

Because our industry is specialized, its system of inter-industry communication has been developed to a higher degree than in any other country. Publishers call this system the "Industrial Press;" you used to think of it as the "trade papers."

► Industrial magazines knit together the specialized industries which comprise the total of America's marvelous productive capacity. They give men who specialize on a particular industrial function the assurance that, when they need to know about a machine, material or technique developed in another industry, complete information will be readily available.

Most people know this peace-time function of the industrial magazine. Few people know the dramatic story of how this typically American system has worked in the frantic interchange of techniques involved in war-conversion.

War-conversion, in America, means a complete disruption of specialized production routines.

In applying automotive production methods to heavy industry as represented by the tank, the interchange of information was complex and urgent.

How was it done?

Of course there was a great deal of travel between plants. Of course men plead with Washington for help. Of course there was trial and error. But if only these things had happened, we would still be building tanks in the continental manner.

Too many men, in too many plants, had too many questions for them to be solved by individual effort.

► Results were made the common knowledge of all, through the industrial editor. If industry "A" had solved a problem, industries "B" to "Z" found out about it in industrial magazine articles and advertisements . . . it has been the system for 50 years. It becomes more dramatic in wartime.

Few people realize that the difference between making 1 tank a month and making 1 tank every 12 minutes rests more on solving hundreds of little problems than it does on big decisions.

Men who have drilled holes in softer metals meet new problems when they have to drill those holes through armor plate at production line speeds.

When they must cast silicon bronze, men who have been making iron or brass castings turn to the industrial editor and the industrial advertiser for help.

► Using cutting tools on alloy steels, when past experience has been on cast engine blocks, raises a whole train of problems involving cutting speeds, coolants, handling techniques, etc.

The training of millions of new workers was a problem needing quick solution for many a plant manager, foreman and workman.

These, and thousands of other problems, questions and answers have flowed through industry's system of communication, the Industrial Press.

The result has been a vital saving of time . . .

In recognition of the miracle of war production—accomplished through the cooperation of American management and labor with the W. P. B. . . . this advertisement is published by the McGraw-Hill Network of Industrial Communication.

• • •

THE McGRAW-HILL NETWORK

More than 1,000,000 of the executives, designers and production men, who give America her world supremacy in technical "know-how," use the editorial and advertising content of these 23 publications as a means of exchanging ideas.

American Machinist • Aviation • Bus Transportation • Business Week
Chemical & Metallurgical Engineering • Coal Age • Construction Methods
Electrical Contracting • Electrical Merchandising • Electrical West
Electrical World • Electronics • Engineering & Mining Journal • E. & M. J.
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Publishers of technical, engineering and business books for colleges, schools, and for business and industrial use.

**McGRAW-HILL
PUBLISHING COMPANY, INC.
330 WEST 42nd STREET • NEW YORK**

YES *addressing* AS USUAL



with *Elliott*
NON-METAL
Typewritable
ADDRESS CARDS

War restrictions pose no problems for Elliott users. The all-fibre typewritable Elliott Address Cards are plentiful, economical and easy to buy in any amount.

They can be stenciled in a few seconds on any standard typewriter.

10,000 impressions guaranteed.

They're lighter, quieter, cleaner and save 40% of the filing space required for metal address plates.

THE ELLIOTT ADDRESSING MACHINE CO.
151 Albany Street, Cambridge, Mass.

Elliott
ADDRESSING MACHINES

Write for the unique business booklet "Unscrewing the Inscrutable"—a fascinating story of American inventive genius. Use business letterhead, please.

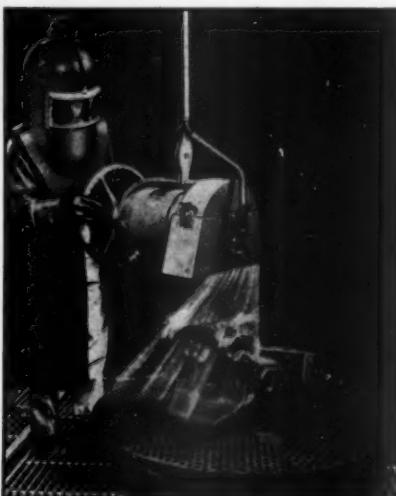


NEW PRODUCTS

Portable Blast

The Portable Wheelabrator, newest product of American Foundry Equipment Co., Mishawaka, Ind., is not portable in the sense that it can be carried anywhere in a shop to do its work of abrasive blast cleaning. Its portability consists in the convenience with which it can be raised or lowered or twisted around to clean the nooks and crannies of lathe beds, gears, pulleys, flywheels, valves, car wheels, frames, and housings.

Like any blast, it must have a pipe to carry granular abrasive to the cleaning head, and a means for carrying off both abrasive and "cleanings"; such as the



floor grating in the picture. Unlike a pneumatic blast, which also requires an air compressor, a pressure tank, a mixing chamber, and so on, the Wheelabrator throws metallic shot or grit by means of a centrifugal paddle wheel, hence requires only an electrical connection for its inbuilt motor.

Incendiary Shovel

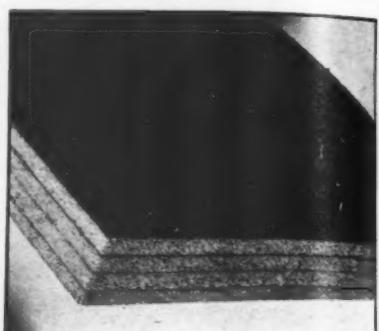
Newest appliance for extinguishing incendiary bombs—and also everyday oil or magnesium fires—is the "Bomb Shovel," recent development of Los Angeles Shipbuilding & Drydock Co., San Pedro, Calif. Its hollow handle holds a supply of sand, ready for instant use.

Celotex Sandwich

Three new insulating boards for replacing cork board in the insulation of cold-storage warehouses, roofs, etc., have come from the research laboratories in as many months. In March, Owens-Corning Fiberglas Corp., Toledo, Ohio, announced Fiberglas AE (asphalt enclosed) Board made of spun glass. In April, Armstrong Cork Co., Lancaster,

Pa., brought out Armstrong's Mineral Wool Board made of "rock wool."

In May, Celotex Corp., Chicago, is bringing out Celo-Block Insulation (illustrated), for the same purpose, made of sugar cane (minus its sugar content) and asphalt. All three come from their



manufacturers in the form of slabs of various thickness to be erected in multiple layers with asphalt sandwiched between and a final coating of the same material. None utilize critical materials. All compare favorably with cork in thermal insulating values.

Compressed Air Filter

When any shop gets into precision work, there is danger from the sandblasting effects of dust, rust scale, oil, or moisture in the compressed air jets used to clean the work from time to time during processing and assembly. Some time ago, Filters, Inc., Glendale, Calif., developed the CCA (conditioned compressed air) Filter to clean air at the



point of use. Centrifugal action of the air within the filter removes 90% of the dirt, oil, and water, the balance being taken out by a special wool felt "glove."

Now the company is bringing out both two- and three-outlet filters to serve two or three air tool operations at one point—as for example a drill, a grinder, and a cleaning jet. Should there be any reason for repairs, the filter may be completely disconnected without disturbing the air line.

LABOR

C.I.O.'s U.S.A.

United Steelworkers of America, a full-grown union, is the militant successor to the militant S.W.O.C.

There is no more Steel Workers Organizing Committee. In five days of meetings in Cleveland, carrying through last weekend, 1,685 delegates who represented 600,000 employees of the steel and steel fabricating industry voted to liquidate the organizing committee which had brought industrial unionism into the steel towns and to establish in its place an autonomous international union, the United Steelworkers of America, to cover the United States and Canada. It is thus officially designated the U.S.A.-C.I.O.

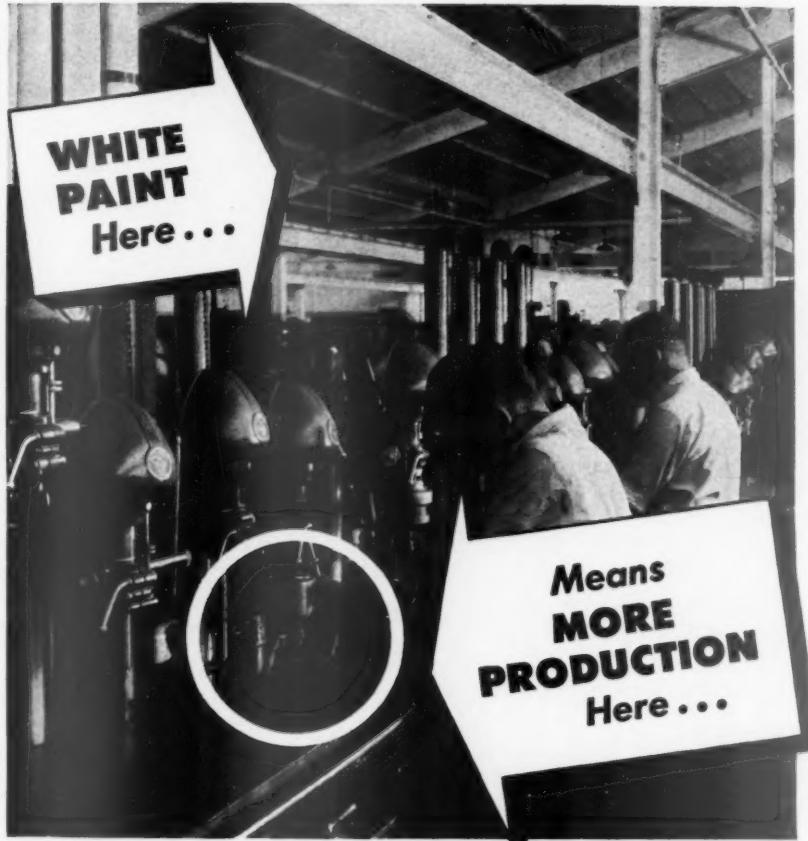
• **Officers Selected**—The delegates entrusted the new organization to the men who had led the S.W.O.C. Philip Murray is its first president. Van A. Bittner and Clinton S. Golden are assistants to the president, and David J. MacDonald is secretary-treasurer. Murray's salary is fixed by the newly adopted constitution at \$20,000 a year. The three other ranking officers receive \$12,000. Added to this are payments for "legitimate expenses."

The field staff of the new union—the men with whom the individual employer will be dealing—works out of 39 district offices and is presided over by the same 39 district directors who ran the district offices for S.W.O.C.

• **Taking Stock**—Delegates spent most of their time in recounting the six-year saga of S.W.O.C.'s growth, charting the job of organizing ahead, and declaring their stand on the war and domestic issues raised by it.

Starting in 1936 with nothing except adequate finances and a mistrust of unionism on the part of steel workers who were convinced that they had been "sold down the river" by A.F.L. organizers in 1919 and under the NRA, S.W.O.C. closed its books on one of the most phenomenal organizing achievements in U. S. industrial history. Today, 903 steel manufacturing, fabricating, and processing firms are under contract with the union—over 90% of the industry. Some 660,052 steel workers are members and dues (at \$1 a month) have been as high as \$548,357 for a single month.

• **Impressive Record**—The new U.S.A.-C.I.O. will administer 204 checkoff contracts already in force, as well as 175 which provide a union shop and 47 which call for maintenance of member-



NO MATTER how carefully your machines are maintained . . . no matter how thoroughly your employees are supervised . . . you can't expect to get maximum production without the best possible lighting.

That means more than having the correct lighting fixtures, properly installed. It means having walls and ceilings that reflect light instead of absorbing it. It means walls and ceilings that are painted WHITE.

Paint is part of your lighting system! If the ceilings and walls of your plant are dingy, dirty, or yellowed with age, you're wasting up to 60% of the current you're burning—and losing up to 10% of the production your present equipment could be turning out!

A strong statement? Ask your maintenance man. Ask your produc-

tion man. Pick up your phone right this minute and call any lighting expert of your acquaintance. He'll tell you that dark, dingy ceilings and walls are a drag on production, that they hamper inspection, multiply mistakes, increase lost time due to accidents and worker fatigue.

Paint—right now—is a vital production tool you can't afford to overlook. You may not be able to get another man . . . another machine . . . another square inch of floor space. But you can paint your ceilings and walls WHITE—without interrupting even "round-the-clock" schedules—and get an extra six minutes out of every hour your plant is operating now!

There is a trained Barreled Sunlight Representative near you. Backed by our 40-year experience in making white paint for industry, he is equipped to help you work out an efficient, economical plant painting program. For details, write U. S. Gutta Percha Paint Co., 12-F Dudley St., Providence, R. I.



BARRELED SUNLIGHT

INDUSTRIAL WHITE PAINT SPECIALISTS FOR 40 YEARS

SO MUCH for So Little



The most durable L. L. Brown ledger, instead of ordinary paper, increases accounting costs only $\frac{1}{8}$ or 1%, yet guarantees 100% protection—utmost resistance to wear. Your printer will be glad to furnish you with L. L. Brown papers.

L. L. BROWN LEDGER Paper

MILLS AT ADAMS, MASS.

ESTABLISHED 1849



To systemize before your eyes

USE

**MOORE
MAPTACKS**

The most complete line available. At stationery and map stores.

MOORE PUSH-PIN CO., PHILA., PA.



one "clue" ad-

one **CONTRACT!**

"As a result of a single ad in the 'clues' column of *Business Week* we received two excellent responses. One, which resulted in a contract, came from, etc."

THIS ADVERTISER DOES BUSINESS WITH ACTIVE-MANAGEMENT MEN
AS represented by the readership of *Business Week*

Copy required June 2 for June 9 "clues"
See page 90, May 23 issue, for last "clues" column



With more than 75% of the 1,685 delegates at the S.W.O.C. convention coming directly to Cleveland's Municipal Auditorium from the mills, the

demonstration for Philip Murray was interpreted as a sign that he was the real choice of the rank-and-file steel worker for leadership of U.S.A.-C.I.O.

ship. Since the C.I.O. moved into steel, S.W.O.C. has been on the ballot in 397 National Labor Relations Board elections, of which it has carried 262. By virtue of these ballots it has been certified as exclusive bargaining agent for approximately 190,000 steel workers.

This is exclusive of membership card checks against payroll records which have established the union's majority status in the plants of Youngstown Sheet & Tube, Republic Steel, and Inland Steel and have secured exclusive bargaining certification in those companies. Nor does this tabulation include results of the national collective bargaining polls currently being conducted by NLRB in the mills and properties of United States Steel (26 of a scheduled 50 of these have already been held and S.W.O.C. has carried them all).

• **The Exceptions**—Thus, except for the plants of the Weirton Steel Co. and American Rolling Mills, both of which are formally charged before NLRB with engaging in unfair labor practices and both of which are the new union's focus for concentrated organizing work, the entire steel industry is effectively blanketed by U.S.A.-C.I.O.

Because it is largely established, U.S.A.-C.I.O. is free to give considerable attention to broader problems affecting its status and the welfare of its members. U.S.A.-C.I.O. is all-out to impose the union shop or, failing that, maintenance-of-membership contracts on the steel industry now that it has achieved industry-wide recognition.

• **Wage Demand Stands**—Next in importance to getting union security is the pushing up of the industry's wage structure. The new union wants a flat \$1-a-day pay boost. President Roosevelt's hope of establishing some system of wage control finds U.S.A.-C.I.O. strongly opposed. The union calls its \$1-a-day demand, "not a wage increase but a wage adjustment," thereby hoping to win it even though "wage increases" are largely ruled out.

For the last six months, chief talking point in both Big Steel and Little Steel has been the insistence on a \$1-a-day raise. If the National War Labor Board goes ahead, as it shows every sign of doing, to make a wage award in the Little Steel case on a fractional cost-of-living basis, U.S.A.-C.I.O. will be heading into its first squall. Unauthorized, wildcat strikes of a rank and file impatient with a leadership which did not deliver the wage increase it practically promised may well be the result.

• **Wage Differential**—Another objective of the new union is the writing of a national agreement to cover the whole steel industry like that which is traditional for bituminous coal. The elimination of the North-South pay differential, which recognizes a 55¢-an-hour minimum for southern steel mills as compared with a 72¢ an hour in the North, would be one of the aims. Premium pay for second and third shift work, an arrangement relatively unknown in steel, is another objective.

Although he was not mentioned by

name, John L. Lewis can be sure of solid opposition from U.S.A.-C.I.O. in any contest he may have with Murray for labor leadership. And so can anyone else; including employers who may be tempted, for the steel workers have pretty well demonstrated that they will fight for it against any individual, group, or force which threatens.

Cool to Lewis

West Coast farm groups prepare to fight U.M.W. drive to organize dairymen. Beck's AFL teamsters may help.

Important test of the actual strength of John L. Lewis's drive to sign up 3,000,000 dairy farmers as members of United Mine Workers of America got under way on the West Coast last week when Harry Carnal, head man of the campaign, prepared to move southward from Washington and Oregon toward California, leaving his organizers behind to do their stuff.

• Variety of Opposition—The Lewis cohorts are hitting tough going on the Coast. Opposition is developing from three directions:

(1) Associated Farmers groups in Washington and Oregon, but more particularly in California have seen signs of flagging member interest now that the "Red" issue has ceased to sizzle, and it welcomes the chance to put on a militant campaign.

(2) Individual farmers, who still have vivid recollections of Harry Bridges's C.I.O. march inland, are quick to move against the dairy signup.

(3) Wily and aggressive Dave Beck, leader of the A.F.L. teamsters, has had considerable success, especially in southern California, in signing up milkers as members of a teamster subsidiary.

• Jurisdictional Mixup—Beck's activity gives rise to a lot of interested conjecture on the West Coast. Aside from the complications that might easily result from a situation in which a dairy farmer would belong to the United Mine Workers and his milkers and drivers be members of the A.F.L. teamsters, it is a certainty, Coast observers say, that Dave Beck isn't going to sit by quietly while Lewis signs up some of his members' employers. The campaign hasn't been going long enough in the Pacific Northwest to force the teamster leader's opposition to the surface, but he is known to be ready.

About the only official A.F.L. reaction on the West Coast so far is a mild statement issued recently saying the A.F.L. "does not, and will not, organize farmers into trade unions" and that "no move in that direction has the sympathy or support" of the A.F.L.

• Farmer's Doubts—Coast farmers have not yet warmed up much to the argument of Lewis's lieutenants. They seem to be agreeing, rather, with organizations like the Associated Farmers, the Grange, Farm Bureau, and various veteran cooperatives that the milk producers and industrial unions haven't much in common—that, while eating up part of the farmer's profits in union dues, the C.I.O. couldn't properly represent agriculture because it hasn't had any contact with farm problems.

Lack of sympathy also grows from the present shortage of agricultural workers which farmers attribute to the lure of industrial wages, jacked up to their present levels largely by the unions. They remember, also, that while vigorously opposing inclusion of their own wages in the price control law, the unions insisted farm prices be placed under regulation. Organizations like the Associated Farmers are bearing down on these arguments.

• Outside Viewpoints—As a matter of fact, West Coast observers who have made it their business to test farmer sentiment say the milk producers generally are skeptical of Lewis's sudden interest in their welfare. Rightly or wrongly, they see it largely as an effort to fatten up the U.M.W. war chest, develop strength for Lewis's anti-Murray campaign, and, maybe, to work up a farmer-labor third party movement for 1944.

U.O.P.W. Wins

C.I.O.'s white-collar union wins right to speak for agents of Prudential Life in New York, and sets about to get a contract.

White-collar unionism took a big stride forward this week. C.I.O.'s United Office and Professional Workers Union, having been recognized as exclusive bargaining agent for Prudential Life Insurance agents in the state of New York, has set about negotiating a contract for these agents of this, the second largest of the country's life insurance companies.

The C.I.O. white-collar organization achieved this bargaining status by virtue of a state-wide election conducted by the Honest Ballot Association in which it polled 2,321 votes as against 1,241 cast against it. In the negotiations, U.O.P.W. will be asking a union shop, wage increases, seniority rules, and grievance handling machinery.

Having secured its present foothold—the union has had a contract with John Hancock for over a year (BW—Oct. 19 '40, p42)—the U.O.P.W. plans to launch a campaign among the agents of Metropolitan Life, the biggest company in the business.

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Labor Peace Bid

A.F.L. holds out the olive branch this time to C.I.O., but Murray's rejection of Lewis' proposal complicates issue.

A new labor peace bid by the American Federation of Labor executive council has C.I.O. President Philip Murray squarely on the spot.

Four months ago, the "one-man" peace proposal of John L. Lewis, former C.I.O. president and head of the United Mine Workers, was turned down unanimously by the C.I.O. executive board because Murray was angered at the fact that Lewis had made the "accouplement" suggestion without consulting him and had reportedly made a private "deal" on offices for the new united labor movement with William L. Hutcheson, president of A.F.L.'s Carpenters Union (BW-Jan. 24'42, p15).

• **Saved by Roosevelt**—At that time, such bad public reaction against Murray as might have resulted from his rejection of Lewis' peace move was prevented by President Roosevelt, who stepped in with a plan to set up a "combined labor war board," with three representatives each from A.F.L. and C.I.O. to advise him on war labor problems. In gratefully accepting the President's board as a substitute for

Lewis's peace plan, the C.I.O. took the occasion to dissolve the old peace negotiating committee of which Lewis had been chairman.

But the A.F.L. executive council under Hutcheson's goadings made it plain last week that it did not regard the President's committee as a substitute for real unity in the labor movement, despite the fact that A.F.L. and C.I.O. have been working together with a minimum of conflict since the industry-labor conference, which resulted in creation of the National War Labor Board last December. William Green, A.F.L. president, said his organization felt that a final and formal peace between the two groups would help win the war.

Mr. Murray has made it equally plain of late that he too wants further cooperation between the two labor organizations. He has even gone so far as to suggest an unprecedented joint meeting of the two executive councils. Privately, however, he has expressed doubt that there has been sufficient change in attitude on either side to make possible a real organic unity of competing unions. Long-dormant jurisdictional questions are seen as a principal stumbling block to peace.

Since Lewis could be expected to trumpet "I told you so" if Murray accepted a new peace bid just four months after rejecting the Lewis "accouplement" suggestion, Murray might appear to be in an embarrassing position. Embarrassing or otherwise, Green told re-

porters that from "the best information obtainable" the A.F.L. overture was welcomed by C.I.O., which will formally speak for itself through its own board June 3.

No Strike Vote

Presidential order setting up fact-finding panel for rail disputes promises to facilitate compromise settlements.

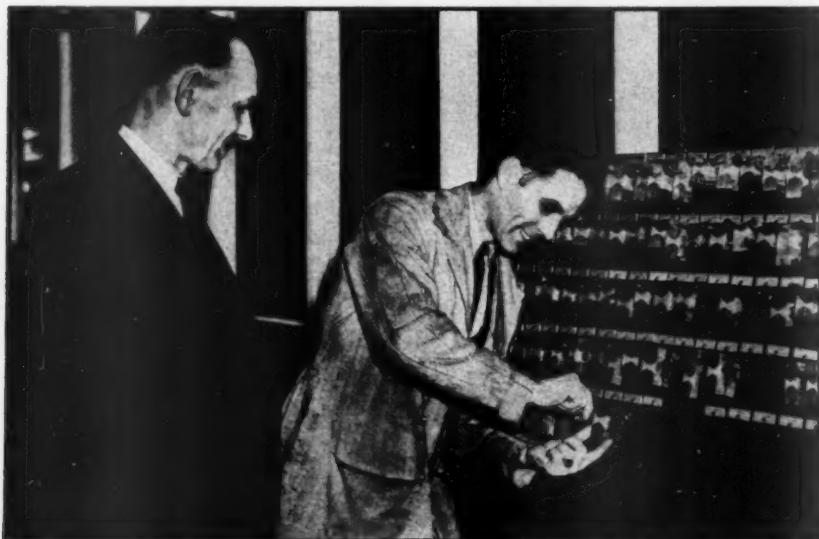
New and improved machinery for handling railway labor disputes was created by President Roosevelt last week under his war powers. No longer will it be necessary for unions to go through the motions of taking a strike vote and setting a date for a walkout in order to get their disputes with employers reviewed by a presidential emergency fact-finding board.

• **Public Always Worries**—Such strike votes, while only rarely put into effect, have always caused concern among the public and occasionally have been a source of embarrassment to the government in conduct of foreign affairs. The Axis powers sometimes have interpreted important strikes or threats to strike as a sign of discontent and division among the American people.

Last winter, the railroad unions and the carriers came perilously close to the operating brotherhood's strike deadline of Dec. 7 before the Morse board arranged a compromise wage increase (BW-Dec. 20'41, p46). If the Japanese attack on Pearl Harbor was launched several weeks in advance as seems probable, it may or may not have been a coincidence that the Japs, unaware of the vagaries of collective bargaining and ignorant of the fact that no railroad worker or employer really expected a strike, chose a date when they thought the railways would be shut down.

Whether this speculation is accurate probably will never be known, but it is a fact that President Roosevelt asked George Harrison, leader of the nonoperating brotherhoods, not to set a definite strike date, and cited the critical negotiations with the Japanese as one reason for his request.

• **How New Plan Works**—Now, however, strike votes as well as strikes are eliminated on the nation's railroads for the duration of the war. The President, by executive order, provided for the establishment of a permanent nine-member wartime National Railway Labor Panel, from whose membership the chairman will select three-member emergency fact-finding boards to handle rail disputes if the National Mediation Board cannot adjust them by compromise. The new system was sought by the unions and approved by the carriers.



WELDER'S DIPLOMA

This is a picture of a man getting his diploma—1942 wartime style. Even men who have had years of experience in sheet metal welding during the automobile building days must now go to school for specialized training before they can qualify for heavy arma-

ment welding jobs. At a Fisher Body plant of General Motors, a former automobile welding line foreman, Clayton Downer, having completed his course in armor plate welding, fastens a U.S. Army-approved sample of his work on the "certified welders board," while Walter Wiley, welding supervisor at the plant, looks on.

WHAT THE LABOR BALANCE SHEET SHOWS

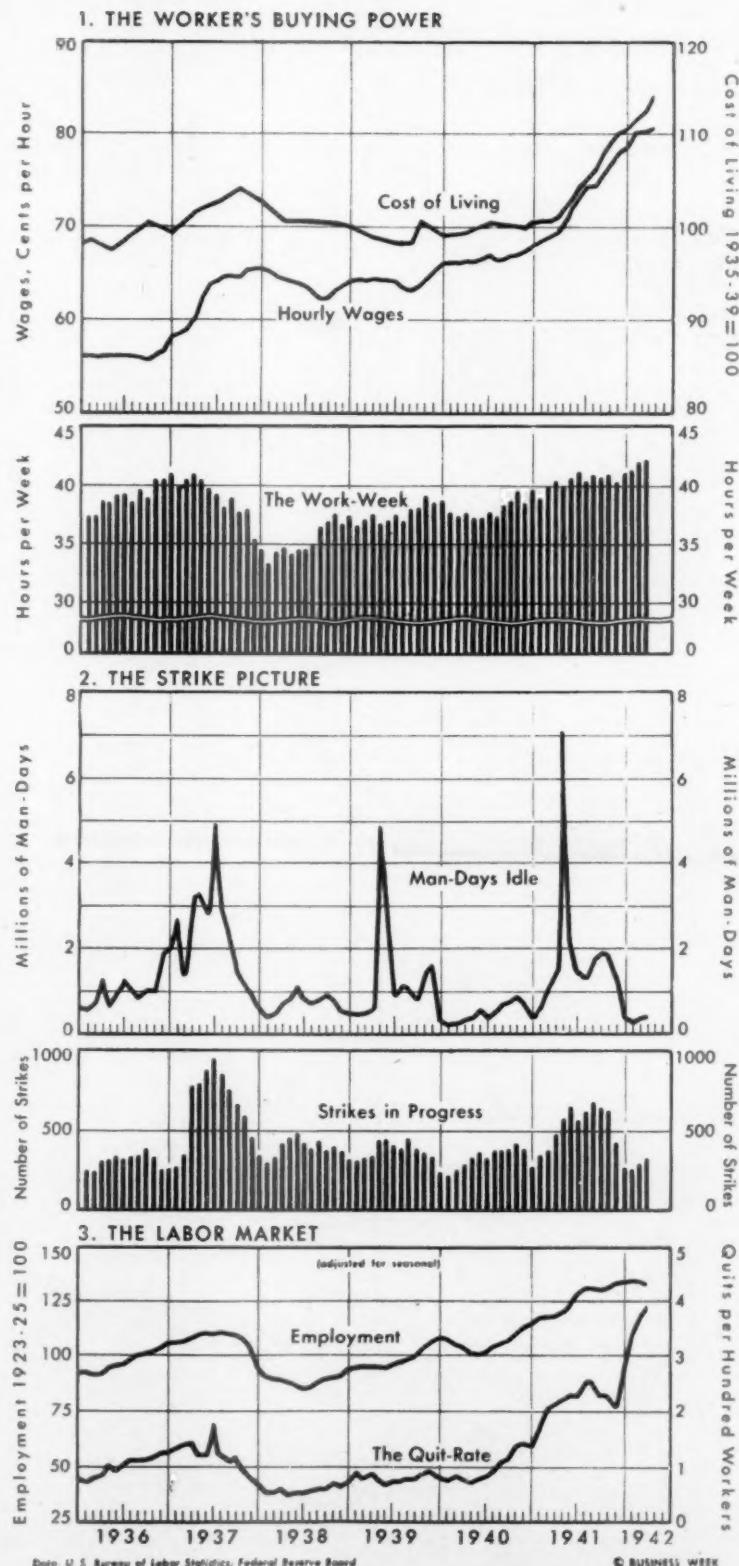
Figures Behind the Man-Power Problem

The effect of war is now clearly registered on every series in *Business Week's* quarterly presentation of labor statistics—and registered so emphatically that new and bigger scales have had to be provided to accommodate the soaring cost-of-living figures (top chart) and quit-rate statistics (bottom chart).

• **Workers' Buying Power**—Cost-of-living data normally reflect the free interplay of factors of supply and demand. Up to this point that has been relatively true, despite OPA's application of price controls on individual products. Now with the general price freeze, the steady rise in cost of living through 1941 and the first months of 1942, reflecting the excess of demand over supply, should be artificially arrested, and the line should tend to level off. The two-month plateau in hourly wages is nothing more than a statistical quirk, signifying only a pause in a trend which is already reasserting itself. The hourly-wage figure is the national average of all industries, weighted in proportion to the number of employees in each. Conversion to war work in some of the high-paid metal industries, with attendant lay-offs, has diminished the upward pull which these crafts exert on the national average. Thus, although the climb of the national average is temporarily stopped, the picture of wage rates being stabilized is deceptive. The work week continues to lengthen as predicted.

• **The Strike Picture**—Labor peace, as far as work stoppages are concerned, still prevails. Man days of idleness and strikes in progress are at an inconsequential level. Price control will help to further relieve pressures making for industrial conflict.

• **The Labor Market**—Employment, dipping slightly, is yielding to the same influences which leveled off hourly wages for the quarter. Conversion, though not as extensive a cause of unemployment as was anticipated by Washington, has nevertheless kept the national employment index anchored. The quit-rate is rising at a pace which alarms the War Man-power Commission. Although one of the factors important in its rise is the number of workers going into military service, too many workers are quitting jobs to find better employment opportunities and WMC is being forced to consider rigid controls over freedom of movement in the labor market.



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THE MARKETS

The Treasury's program for cleaning up guaranteed debt of government agencies took a big step forward when Secretary Morgenthau announced plans for retiring \$1,151,000,000 worth of securities issued by the Home Owners Loan Corp. and the Reconstruction Finance Corp. This one operation, the largest yet undertaken, will wipe out almost one-fifth of the present guaranteed debt, replacing it with direct obligations of the federal government.

• **Six Smaller Borrowers**—The Treasury's effort to tidy up its debt structure dates back to last October, when Secretary Morgenthau announced that government agencies would issue no more guaranteed securities. At that time, six agencies were selling obligations on which the government assumed contingent liability, and a total of approximately \$6,930,000,000 in guaranteed debt was outstanding.

Faced with the necessity of floating enormous war loans, the Treasury wanted to court the money market without being disturbed by its many offspring. Hence, it decided to centralize all borrowing and replace the guaranteed debt with direct obligations, advancing funds to the agencies instead of letting them borrow for themselves.

• **Reduced Nearly One-Fifth**—In the last eight months, about \$1,264,000,000 of the guaranteed securities have been retired (not allowing for the present operation), which cuts the present total down to \$5,666,000,000. As issues mature, the Treasury offers its own securities to the holders, paying cash to the ones who won't exchange.

To speed up the process, it has been calling issues on the earliest possible redemption date. Last January, it called in \$339,000,000 worth of Federal Farm

Mortgage Corp. bonds which could have run until 1947.

• **Issues to Be Refunded**—The latest refunding plan offers Treasury 1½% notes in exchange for RFC 1s and HOLC 2½s. The HOLC issue, totaling \$875,439,000, was not payable until 1944 but will be called July 1, earliest redeemable date.

With this operation the Treasury will cut the guaranteed debt down to \$4,515,000,000. No further refunding can be expected until next October, when a \$319,895,000 RFC issue comes due.

Within the next two years, however, the Treasury should be able to wipe out almost all the contingent debt. Most of the issues can be called in 1943 or 1944.

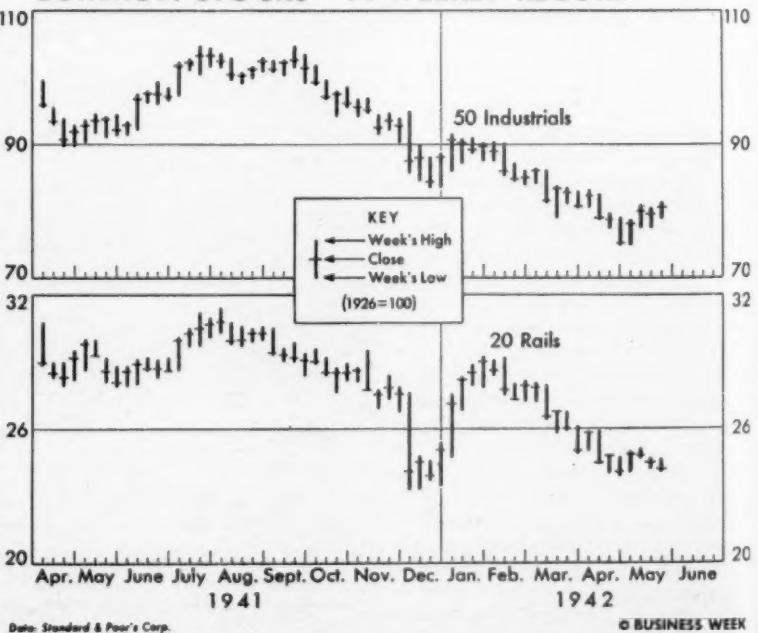
• **Commercial Loans Dip**—In private finance, the steady decline in commercial and agricultural bank loans continues (BW—May 16 '42, p. 76). Last week total commercial loans for reporting member banks in 101 cities dropped to \$6,613,000,000, the lowest level since early December. (The top was \$7,035,000,000 in March.) Loans for war production are expanding, however, and eventually they may fill the gap left by contraction of civilian industry.

Security Price Averages

	This Week	Month Ago	Year Ago
Stocks			
Industrial	80.6	79.6	75.2
Railroad	24.2	24.5	24.1
Utility	30.1	29.8	27.6
Bonds			
Industrial	107.9	107.2	107.5
Railroad	85.5	87.3	88.2
Utility	102.4	102.3	102.4
U. S. Govt.	110.9	110.5	110.1

Data: Standard & Poor's Corp. except for government bonds which are from the Federal Reserve Bank of New York.

COMMON STOCKS—A WEEKLY RECORD



Data: Standard & Poor's Corp.

FINANCE

Pact on Rail Tax

Roads crossing New Jersey finally are allowed to pay off in instalments, penalties are forgiven as Hague howls.

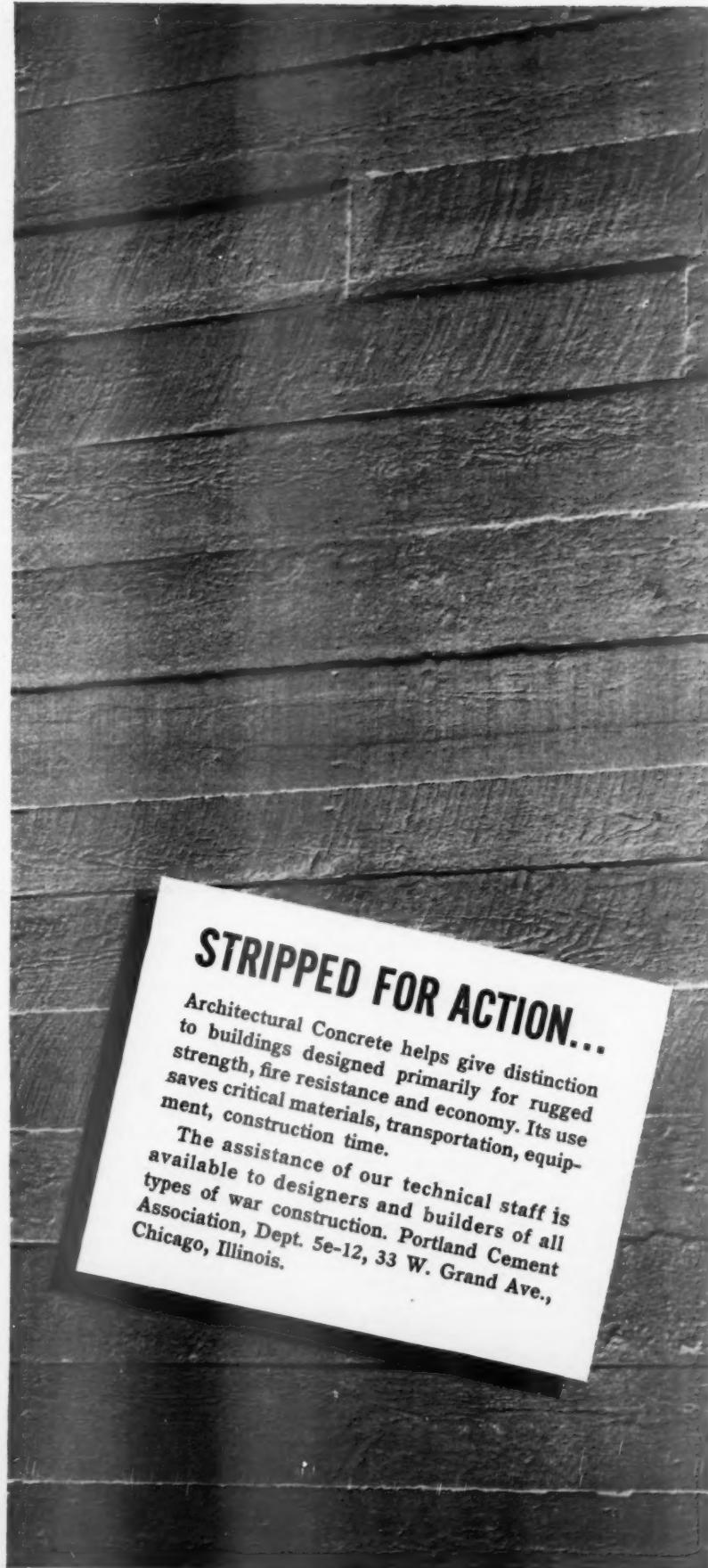
Peace, uneasy and apprehensive but peace nevertheless, has descended temporarily upon the railroads of New Jersey which for ten years have fought one of the bitterest tax battles on record. For the moment the roads have won their point and need only to hold their ground. Also for the moment, Mayor Frank Hague of Jersey City can find no opportunity to reopen the battle on a new front.

Terms Granted—This new peace contains a large enough measure of victory to make the roads reasonably content. To be sure, they have obtained no remission of the heavy taxes levied against them in the depression years from 1932 to 1939, but they are now entitled to pay defaulted taxes on an instalment plan with interest at 3%. On May 21, Governor Charles Edison signed a bill relieving them of the 12% annual penalty assessment on back taxes. Moreover, future taxes will be based partly on earnings instead of on a straight property valuation.

Although the railroads originally suggested 75% settlement on back taxes as an outside figure, the current arrangement is about as satisfactory as they ever really hoped to get. With earnings on the way up, they stand a good chance of paying off back taxes from current income. If revenue slumps in the future, the new method of assessing taxes will result in lighter levies. In the meantime, the law provides a ceiling on assessments which sets a limit (albeit a high one) on the amount of income that taxes can take.

Hague Howls—On the other hand, all of these points spell defeat for Mayor Hague whose fight against the railroads is intricately entangled with his feud with Governor Edison. Jersey City gets a lion's share of the revenue from railroad taxes, and for some time Hague has been the most vocal opponent of revision. The day before the legislature passed the bill absolving the roads of penalties on back taxes, Hague ran a full page advertisement in the newspapers charging the governor with making a \$122,000,000 gift to the roads at the state's expense.

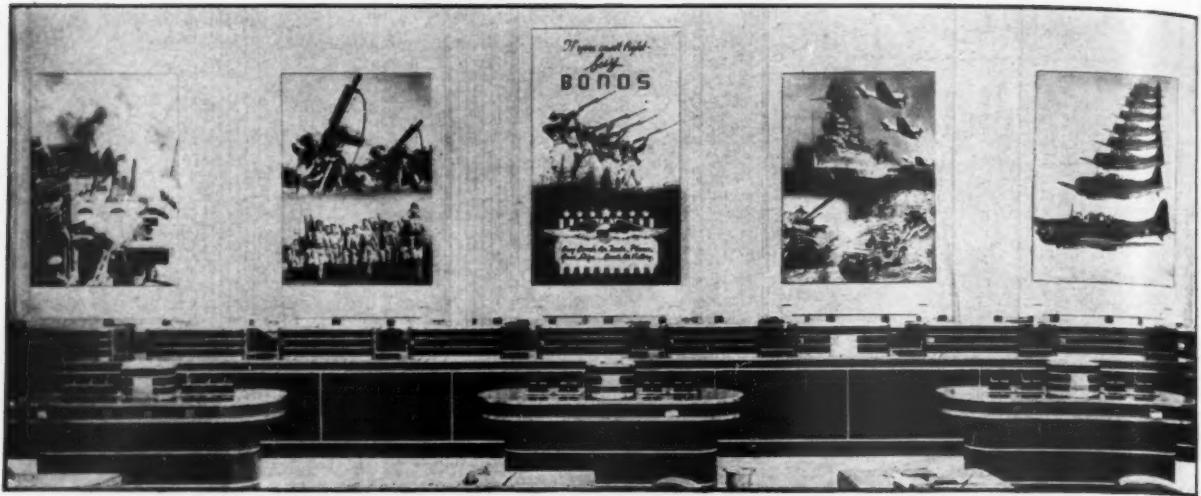
The legislation passed in spite of Hague's opposition, and the rails are now wondering uneasily where the next attack will hit. Best guess is that it will



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A powerful push is being given the sales of War Savings Bonds these days by banking institutions. One—the Central National of Des Moines—in its all-out effort, has

practically converted its main banking room into an art gallery. Ten-foot, black-and-white photo-murals combine an impressive sales presentation with modern décor.

be in the courts where a test case on the constitutionality of the new arrangement is pending.

• **Ten Years Ago**—History of the tax battle goes back to 1932 when the railroads went to court with what was even then an ancient grievance. Principal companies involved were the Central of New Jersey, Lackawanna, Lehigh, Erie, and New York Central, but several smaller roads also participated.

Main argument of the railroads was that taxes were based on a property valuation that took no account of earnings. Land was valued at the price of adjoining real estate; buildings and equipment at cost less depreciation. As a result, New Jersey taxes for the period 1932 to 1938 averaged almost the same as in the prosperous years from 1926 to 1929. Net operating income, however, shrank 55% between the two periods. A 1938 income of \$77,873,574 was assessed \$11,478,613 in New Jersey taxes, while 1926 income of \$233,732,944 (the best year of either period) was assessed only \$11,643,785.

• **Conflicting Ideas**—Cause of the trouble, according to the railroads, was the New Jersey practice of valuing each item separately and adding to get a total value. Proper valuation, the roads contend, should take account of a system's earning power. They suggested capitalizing earnings as the best method.

In defense, New Jersey argued that the courts cannot interfere with a state's taxing power, and through eight years of litigation it made its point stick. On one occasion the roads persuaded a court to try the case on the facts; that time they won, and secured an injunction forbidding the state to collect more than 70% of taxes levied between 1934 and 1936. Later, however, the case was reversed on jurisdictional grounds.

• **\$34,000,000 Behind**—By 1939 the railroads had been assessed \$87,500,000, had paid \$53,000,000, and were about \$34,000,000 in arrears. Several were in bankruptcy; others insisted that to pay New Jersey taxes would put them in receivership.

Interstate Commerce Commission estimates for 1938 put New Jersey taxes per mile of road at \$10,545, highest in the country. Next high was New York with \$4,351; the national average was \$1,546.

• **Property Taxed at 3%**—Armed with these figures the railroads went to the legislature for help. The first attempt failed, but in the summer of 1941 two bills were passed, one allowing settlement of back taxes on the instalment system, the other providing for a new basis of assessment. As the law now stands, the roads pay a 3% tax on property plus a franchise tax calculated from net operating income. Total net operating income assignable to New Jersey on a track mileage basis is set as the maximum tax that can be levied.

Mayor Hague led the opposition, representing Jersey City where large terminals and yards have always been big tax producers. Once the bills were passed, the state Attorney General, David T. Wilentz, also joined the fight and challenged the constitutionality of the settlement on back taxes. Some of the smaller roads, finding their taxes increased by the new method of calculation, attacked the plan.

• **Fight over Penalties**—Wilentz argued that the tax settlement bill did not relieve the railroads of penalties due for default. Accruing at 12% interest, penalties amounted to about \$22,000,000, and the roads protested that the original settlement abolished them. To head off an adverse decision, however, the legis-

lature passed the amendment, signed May 21, which specifically removes the penalties. It was over this point that Hague made his newspaper fight.

Another amendment, passed early in May, takes care of the objections of the small carriers, and at present only the Attorney General's suit remains unsettled. For the time being, the roads can sit tight.

• **High Payments Expected**—An ironic footnote to the story is the fact that after fighting ten years to get the assessment system changed, the roads now find current taxes running about as high as they would have under the old formula. With income expanding, 1942 and 1943 taxes, based on earnings, may even be larger than a straight property levy.

Irony isn't confined to the railroads, however. As a result of the Attorney General's suit, the state has been enjoined from distributing to the municipalities \$10,000,000 paid by the roads as the first instalment on back tax settlement. This means that Jersey City can't collect until the case is settled—which might be another ten years.

You Gain But Lose

Perennial fight to revise tax on capital gains and losses finds Ways and Means mildly receptive to liberalization.

Capital gains taxation is due for a working over if the House Ways and Means Committee gets its way, but the changes won't be enough to satisfy brokers and tax economists who have been plugging for complete revision. The

committee has approved a set of modifications along lines suggested by the Treasury, and in doing so sets its face against the Boland bill (BW-Mar.21 '42,p82), which calls for fundamental revision of the present law.

• **Reclassification**—Principal features of the committee's program are a simpler definition of the difference between short-term and long-term capital gains, and an increased tax rate. Under the present law, short-term gains are defined as arising from assets held less than 18 months. These are taxed at the same rate as regular income. Gains on assets held 18 to 24 months are taxed at 20%; all gains realized after 24 months at 15%.

The committee proposes to make 15 months the dividing line between long-term and short-term gains, and to make a single tax class out of the long-term group. Gains on assets held over 15 months will be taxed 25% regardless of how late they are realized. Short-term gains will be taxed at regular income rates as before.

• **More Liberal Deductions**—In part, the higher rate will be offset by more liberal provisions for deducting capital losses from capital gains and from income. Committee proposals would permit both short- and long-term losses to be offset against either short- or long-term gains. Existing law allows only short-term losses to be deducted from short-term gains and long-term losses from long-term gains.

Moreover, under the committee's plan a net loss, either short or long, may be carried forward five years and deducted from other taxable income up to a maximum of \$1,000 a year. Present law permits losses to be carried forward only one year.

• **How Business Fares**—Corporations will be permitted to handle gains and losses in the same way as individuals instead of having to enter them under current income where full income tax and surtax rates apply.

Net result of the committee's plan would be a comparatively more liberal capital gains tax. Increases in rates are less than proportional to the expected stepup in income taxes and provisions on losses are much relaxed.

The committee's plan, however, is still a long way from the Boland bill which provides for a complete segregation of capital gains from other income, and a flat tax of 10% on net gains. Advocates of thoroughgoing revision are particularly depressed by the fact that the committee makes no clear distinction between capital gains and other income. This, they insist, is the starting point for any constructive handling of the problem.

• **Hopes Rest in Senate**—Boland bill advocates are also disturbed by the prospect of higher rates. Wall Street, in particular, is afraid that a heavy tax

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would cut the volume of securities trading. Brokers believe that a low rate would bring both them and the government more revenue in the long run. Revisionists hope the Senate Finance Committee will be more sympathetic, although they hardly expect to get the Boland bill principles accepted in complete form.

Odd-Lot Victory

Big Board wins removal of New York State's "double tax" on small trades, but U. S. levy is still on the books.

Wall Street won a victory this week when New York's Governor Lehman signed a bill to end so-called double taxation by the state of odd-lot transactions on recognized security exchanges. Brokers and exchange officials have been advocating the change for years on the ground that the existing law was driving business to exchanges in other states where the "double tax" did not exist.

But to the small investor, who actually pays the transfer tax, the victory was not of world-shaking significance, since the federal tax, which has not been changed, is in many cases considerably higher than that imposed by the state.

• **What It's All About**—The way the "double tax" is incurred is this: Many orders received by stock exchange members are for lots of less than 100 shares of stock, which, in most cases, cannot be executed in the regular way on the floor of the exchange. To handle this business, the odd-lot dealers stand ready at any time to buy or sell lots of from one to 99 shares of any listed issue.

When a round lot is traded on the floor of the exchange, title passes directly from seller to buyer with the broker acting only as an intermediary. On the other hand, an odd-lot dealer, due to the fact that his orders to buy and sell a specific security can never be expected to balance exactly, must of necessity take legal title to stock which passes through his hands, even though he really is primarily an intermediary. Thus when an investor sells an odd lot he pays a transfer tax, and when he buys an odd lot the dealer passes on to him the transfer tax levied on that transaction.

• **Next Stop, Washington**—New York State's new law, which goes into effect July 1, provides that no transfer tax is to be levied on the sale of less than 100 shares by a registered odd-lot dealer. Next step: a drive by the stock exchanges to get the federal government to help "the little fellow" by exacting a single tax on odd lots.

THE TRADING POST

Service Business

Up in Westchester County, in suburban New York, is a business called E. Robison, Inc. It carries on a variety of activities—automobile service stations, hardware stores, fuel oil supply, oil-burner sales and service, house insulation and others.

Probably the general service business to suburbanites such as this is not unique. I cite Robison here only because of an item in a recent issue of his monthly "Reminder" which, says the masthead, is devoted to "Timely Suggestions for Your Car, Your Home, Your Garden."

This item presents "some facts behind our service." It tells, for instance, that Robison established his business in 1921 with himself and one helper. He opened a 35 ft. by 22 ft. store with a small stock of hardware and auto supplies and two gasoline pumps. Today he boasts 125 employees, operates four service stations, eleven delivery tank trucks, and two hardware stores.

Then comes the item that I found of special interest. Robison still is the owner and active head of the business and "he is assisted by a group of managers who have been in his employ from six to sixteen years." He lists their names, departments, and length of service. The detail is not pertinent here. Enough to say that there are ten in the group, of whom three have sixteen years service, one fourteen, one twelve, one ten, one eight, and three six.

Now two facts in this announcement strike me. The first is that Robison seems to know how to pick men and how to keep them interested in a sort of business that might reasonably show a greater turnover. The second is his appreciation that in a service business such as his, such long service by his key men breeds confidence among customers and prospects. So he features it in his "Reminder." All of which probably has bearing on his 21-year success.

Keep America Calm!

With its battle-cry of "Let's Stop Noise . . . Help Keep America Calm," the National Noise Abatement Council wings into action to help win the war. But perhaps I'd better withdraw that battle-cry . . . I'm sure the Council wouldn't want to add to the clamor it now moves to still.

The week of May 31 to June 7 is set apart by the Council as "National Noise Abatement Week" although, very wisely, it declares that this year, "in the face of the urgent wartime need for calm . . . the work to be done is far too great to

be accomplished in a single week or even a single month."

There can be not the slightest doubt that we Americans pay heavily in lowered health and efficiency for the endless and needless clatter that pounds away at city dwellers all the way around the clock.

And, strange to relate, many of us never suspect just what it is that takes so much out of us in the course of the day's work. The makers of sound proofing and acoustical materials do a valiant educational job, yet many shops and offices still have to learn what a whale of a difference it makes to be rid of the distracting clamor that goes along with modern methods. Much remains to be done in thus suppressing the unavoidable noises—or, shall we say, the noises we have not yet learned how to avoid.

But the Noise Abatement Council now is out to suppress the unnecessary noises, those chargeable to the discourtesy, selfishness, and general perversity of the human animal. It's after those pests, for example, who are too lazy to announce their presence at the house door and sit tight in the car wearing out their horns and the nerves of the neighbors. Also, the shrill loud-mouthed hosts and hostesses—especially hostesses—who can't carry their liquor and who make the nights hideous every time they throw a "brawl." Then, too, let me command to the Council my own pet disturbers, that lowest form of human life, who persist in staging farewell parties or in baying at each other in the curtained aisles of the 12:50 a.m., while men who must rise to a day's work next morning are trying to get to sleep before the train gets under way—and all this in arrogant defiance of the Pullman company's courteous card requesting "QUIET." Such people ought . . .

Let's see, where were we? I knew I shouldn't have brought that up!

Oh, yes! Noise Abatement Week, May 31 to June 7. And the Council has issued a booklet with a foreword by Mayor La Guardia of New York. In it he says, "Now, in war, needless noise becomes a far graver evil because it can seriously hazard our whole national existence. No one knows at what moment we may be called upon to face emergencies which demand of us the utmost in calmness and mental fortitude. We dare not let ourselves meet these cruel tests confused or hysterical—our nerves distraught, our resistance weakened as a result of needless clamor and din in our streets, homes, offices and factories . . ."

Very well said, Mr. Mayor. And I'm sure you'll be willing to add, "and in our public officials."

W.C.

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BUSINESS WEEK

THE TREND

A SIGN FOR THE FUTURE

America is beginning to feel its oats. Good management, from Donald Nelson down to the head of the little parts shop, is beginning to show results. One by one, the great assembly lines of war production have started to turn out the stuff. Here and there, the whir of smooth-running machinery rises above the confused bicker of two years' planning and fitting.

That's most of what has happened so far but it took only that much to create the wave of war optimism that sent the stock market up last week—and brought down the President's stern warning that we had better not boast of our weapons until we had used them to solid effect on the firing lines of "this long, hard war."

• **The optimism** went so much further than was justified because, for two years, we have had so little to cheer about, and because, for two years, we have been so doggedly sure that we could eventually prove our right to cheer about at least one thing—our mass-production power. Now we are beginning—just beginning—to be able to show that our pride was not misplaced.

Herr Goebbels will be quick to point out that the evidence of this power is piling up on our side of the ocean more than on his, and we had better be quick to concede that his sneer still challenges us. We shall be safer to see that the most we have done is to show what we can do if management continues to strain to the utmost, if labor really measures up to the mark, if we go on to lick the shipping situation and a thousand other "situations," so that we can put the tools of victory on the fronts where our fighting men have to win the victory.

But if we must curb our over-ready optimism about the war, cannot this first clear justification of our pride in the fact that American industry knows its job be called upon to curb our equally over-ready pessimism about the peace?

At this stage of the war, all we can say about the relation of the so-called "miracle of production" to victory is that our fighting men must be able to keep counting on industry's men for the "last full ounce of devotion" in the service of that miracle. But we can say more about its relation to our hopes of winning the peace.

• **What last week's Washington Bulletin said** is worth repeating for a starter:

"The potentialities of mass production have amazed even the experts in mass production. By comparison, this country has never had real mass production before. The production men have always been limited by the market. Now, for the first time, we have thrown in the switch and left it in. And the rate at which we can chew up metal is like nothing on earth."

What this means is that American industry is learning how it can run with the wraps off. It is learning what it can do when its best production brains are

allowed to go wide-open, when the only limits on the production facilities it can use are the limits on the time and materials needed to fabricate those facilities.

More than that. Under the demand that it surpass such limits, it is learning how to boost production by stretching the efficiency of substitute materials to serve uses to which it had never thought them adaptable. It is being driven to experiments that never seemed worth trying and never got a mass-production test. It is investing the brains and skills of its research laboratories in a "sure thing"; there can be no question of the demand that awaits their success in turning out new products, evolving new processes, discovering new materials for the job that industry has to do.

• **More than that.** Industry now has the opportunity to find out what kind of production efficiencies it can attain in a manufacturing economy that is freed from the pressure of practical incentives to use patent controls and cartel devices to restrict supply. And if, at the same time, it gets the opportunity to find out what it is like to do a job freed of the restrictive practices that organized labor has learned to impose on production for misguided ends, we may be due for further amazement as to the potentialities of American mass production.

What it all comes down to is that American industry is learning how it could and would operate the production machine in an economy of abundance—and, so far as sheer production technique is concerned, it makes little difference that the market is an artificial one, the buyer is a monopoly driven to the counter, and the abundance is death. Those who talk of victory and, in the same breath, of American industry unable, after victory, to apply the lessons of all-out production to a peacetime market and a free price system under the rules of competitive enterprise are simply overlooking a bet to which the record should now be tipping them off.

• **This is not** to say that the successful maintenance of our expanded production under the rules of competitive enterprise will not present us with a tremendous challenge. The consequence of mass production as we are now learning it is mass marketing as we have never learned it. This may involve political sagacity that we have yet to learn, but we should not miss the significance of the fact that the politician has finally had to depend upon managerial know-how to release our mass production for war. We can be optimistic about that, though we still may not be safely optimistic that this release leads to victory. And, given victory, we should not be too pessimistic about the possibility that the potentialities of mass production will amaze our experts in mass marketing—and that they will rise to the occasion.

The Editors of Business Week

Business Week • May 30, 1942

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